

Rwanda Admits Its Troops Are In Congo

Statement Opens Way To Peace Talks, Averting 'Massive African War'

By Lynne Duke
Washington Post Service

PRETORIA — The Rwandan military leader, Vice President Paul Kagame, admitted publicly for the first time Friday that his troops were involved in the Congolese conflict begun three months ago by rebels trying to oust President Laurent Kabila.

After months of denial, Mr. Kagame, who is also Rwanda's defense minister, finally came clean following an hour-long meeting here with President Nelson Mandela, and two days after he had met with the U.S. assistant secretary of state for Africa, Susan Rice, in the Rwandan capital, Kigali. Rwanda's denials had been seen as a major obstacle to mediation efforts to end the widening war in Africa's third-largest nation, which has become a continental quagmire.

"Initially, our country hadn't, for good reasons, come out specifically to talk about the presence of our troops in Congo," Mr. Kagame said Friday. "We have informed the president that we are there specifically for our national security. That situation in Congo has always affected our security and we are there specifically for that purpose."

With its many ethnic, economic and nationalistic dimensions, the Congo conflict has alarmed African and Western leaders because of its potential to broaden even further and become more intractable. "If this conflict is not stopped, the danger of a massive African war is a reality," Aziz Pahad, South Africa's deputy foreign minister, said at a Cape Town news briefing Thursday.

Rwanda, Congo's tiny neighbor to the east, has twice involved itself in Congo conflicts, and in both cases it persisted for several months in denying its involvement. Also in both cases, Rwanda's military moves were intended to combat Rwandan ethnic Hutu extremists, including perpetrators of the 1994 slaughter of 500,000 Rwandan Tutsi, who use Congo's territory as the launch-pad for attacks against Rwanda. In the first war, begun in 1996 in what then was called Zaire, Rwanda led the forces that ousted the late dictator, Mobutu Sese Seko, and installed Mr. Kabila in power.

Since the outbreak of the latest Congo war on Aug. 2, Rwanda maintained its policy of denial, despite sightings of Rwandan troops inside Congo and Congo regional militias fighting on Mr. Kabila's side, with Rwanda and Uganda

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An Israeli soldier checking for more explosives at the site of the car bomb explosion in Jerusalem on Friday.

Charges on Anwar Baseless, Police Say

Prosecution Witness Ruled in '97 That a Broad Conspiracy Was at Work

By Keith B. Richburg
Washington Post Service

KUALA LUMPUR — A police intelligence chief concluded more than a year ago that allegations of sexual misconduct against Anwar Ibrahim, then the deputy prime minister, were baseless and were made as part of a broad conspiracy to smear Mr. Anwar, a Malaysian court was told Friday.

The intelligence chief, Mohamed Said Awang, made his conclusion in a report in August 1997 that he delivered to Prime Minister Mahatir bin Mohamad.

On Friday, the fifth day of Mr. Anwar's sex and corruption trial, Mr. Mohamed Said read portions of that report in court.

His testimony as the prosecution's lead witness seemed to be a stunning reversal for the government's case against Mr. Anwar and was likely to further fuel the widespread public belief that he has been unfairly targeted by political enemies who wanted him removed.

"The allegations made are baseless and are more dependent on imagination and assumption," Mr. Mohamed Said wrote in his report. "Through our sources, the allegations do not have, or contain, any proof, and the sequence

of events appears to be deliberately created."

Mr. Mohamed Said prepared the report after arresting and interrogating two persons — Mr. Anwar's driver and a female acquaintance who had sent a letter to Mr. Mahatir accusing Mr. Anwar of engaging in sodomy and adultery.

In dismissing the allegations as false, Mr. Mohamed Said concluded then, "There are indications that there exists a certain group that may have their own agenda and played a role behind the scenes to urge the two accusers to smear Damik Seri Anwar Ibrahim." Damik Seri is a title of respect in Malaysia.

Prosecutors turned the report over to Judge Augustine Paul on Friday morn-

ing. Mr. Anwar's defense lawyers had demanded the report, calling it crucial to proving that their client was not guilty of the sodomy allegations against him.

Despite the reversal for the government prosecutors, even critics of the proceedings cautioned that the trial was not yet won for Mr. Anwar. The prosecutors plan to call more than 50 other witnesses, including the prime minister.

Since his dismissal in September as Malaysia's second-most powerful politician and his arrest 18 days later on the sodomy charges, Mr. Anwar has consistently said that he was the victim of a conspiracy by his enemies. Before

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Blast in Jerusalem Stalls Peace Accord

Suicide Bombing Also Wounds 25

By Lee Hockstader
Washington Post Service

JERUSALEM — Two terrorists detonated their car in Jerusalem's central street market Friday morning, killing themselves, injuring 25 Israelis and prompting Israel to suspend the new Middle East peace plan brokered by the United States.

Although no Israelis were killed and most injuries were light, the bombing plunged the Middle East peace process deeper into crisis just two weeks after President Bill Clinton presided over a dramatic signing ceremony at the White House marking the revival of hopes.

At the time, he said that both Israeli and Palestinian leaders knew such attacks by extremists were likely and were prepared for them.

The bombing, the third serious attack on Israelis since the signing ceremony, rocked a crowded commercial hub as Israelis shopped for the Jewish sabbath, starting Friday evening.

Afterward, amid scenes of fury and confusion, pedestrians, shop owners and police officers gazed at the charred wreckage of the attackers' red Fiat and pronounced it a miracle that casualties had not been much worse.

The bomb — a small, amateurish device that may have gone off prematurely — exploded just as Israel's cabinet was to meet for an expected vote to ratify the new land-for-security agreement. The cabinet adjourned, only to declare hours later that it would not again discuss ratification until it was confident that Yasser Arafat's Palestinian Authority was taking "decisive steps" to destroy terrorist organizations.

In a statement, Prime Minister Benjamin Netanyahu also said that the cabinet would postpone any decision on the accord until it was convinced that the Palestinian National Council intended to vote to repeal parts of its charter calling for Israel's destruction.

Worried American officials said the Israeli demand could wreck the already shaky peace process, since it goes beyond the agreement negotiated last month on the eastern shore of Maryland.

That accord, known as the Wye Memorandum, commits the council and other Palestinian bodies to "reaffirm" their repudiation of the offending parts

of the charter, but makes no specific mention of a vote.

The agreement obliges the Israelis to withdraw troops from an additional 13 percent of the West Bank and to make other political concessions to the Palestinians, such as the opening of an airport in the Gaza Strip.

In return, Mr. Arafat agreed to launch a crackdown on terrorist groups working from Palestinian-controlled territory. The agreement, meant to go into force Monday, was to be carried out according to a choreographed series of reciprocal moves by the two sides over

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Arabs Show Little Support For Strikes Against Iraq

By Steven Lee Myers
New York Times Service

WASHINGTON — A day after the United Nations Security Council unanimously condemned Iraq's decision to end cooperation with international weapons inspectors, the U.S. secretary of defense, William Cohen, on Friday wrapped up a whirlwind tour of Arab states having won little public support for military action.

In Ankara, Mr. Cohen met with President Suleyman Demirel of Turkey and his minister of defense, Ismet Sezgin. Afterward, he called on President Saddam Hussein to reverse his decision, a demand Mr. Demirel's office reiterated.

"We're hoping that Saddam will take action to reconsider his flagrant violation of the Security Council resolutions and his agreement with Secretary-General Kofi Annan," Mr. Cohen said as he concluded a diplomatic tour that took him to nine Arab states in four days.

The White House announced that the president's national security adviser, Sandy Berger, would meet with his counterparts from Britain and France, John Holmes and Jean David Levitte, during a trip to Paris on Saturday.

The Security Council's resolution, passed Thursday evening, declared Iraq in "flagrant violation" of previous resolutions but stopped short of explicitly threatening military force if Mr. Saddam did not resume cooperation with the special commission that oversees the destruction of its weapons program.

As the Security Council declared Mr. Saddam in "flagrant violation" of United Nations resolutions, the Clinton administration moved ahead with preparations for air strikes against Iraq, U.S. and other Western officials said.

On Thursday night, President Bill Clinton called Iraq's decision to end cooperation with United Nations weapons inspectors "totally unacceptable" and suggested that the United States was prepared to act soon if Mr. Saddam did not reverse the decision.

"The burden is on Iraq to get back in compliance and meet its obligations — immediately," Mr. Clinton said.

The United States has not yet set a deadline but officials made it clear that

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Japan Plans Spy Satellites Over a Suspicious Region

By Nicholas D. Kristof
New York Times Service

TOKYO — Japan will launch a series of intelligence-gathering satellites within the next five years, the government said Friday, boosting its military capabilities in ways that are expected to cause unease at home and abroad.

The cabinet formally approved the launching of four satellites by the spring of 2003. Such a move has been talked about for years, but it came about now only because of alarm at North Korea's launch of a rocket over Japanese territory in September.

The rocket, which North Korea described as part of a satellite launch but which Japan believes was a missile test,

galvanized Tokyo to take two far-reaching steps to boost its security. One is the approval of the satellites, and the other is a recent move toward joining with the United States in researching a theater missile defense system that aims to protect against enemy missiles.

The moves are part of a growing Japanese effort to boost its military options and capabilities, despite the limitations of its "Peace Constitution." Although Japan in theory lacks an army, its so-called self-defense forces are already among the best equipped in Asia.

All this has created concern around the region, particularly in China and North and South Korea, all of which are deeply suspicious of Japan's intentions.

"The project is purely designed to collect information for our security," Prime Minister Keizo Obuchi said in an effort to allay apprehension. "I hope the project will be understood."

Some Japanese have also complained that development of reconnaissance satellites would breach the Peace Constitution and would violate a 1969 Parliament resolution limiting the use of space for peaceful purposes. Partly to evade that restriction, the government has stipulated that the satellites will be used for a variety of purposes, including crisis management in the event of a major earthquake, in addition to intelligence gathering.

"The purpose of the satellites will be to collect information the government needs for crisis-management measures to deal with defense and diplomatic issues as well as natural disasters," the government's chief spokesman, Hiro-mu Nonaka, said.

The current plan calls for the launching of four satellites: two to collect radar signals, and two to take high-resolution photos. The impetus comes partly because Japan had no information of its own about the North Korean rocket and had to rely on U.S. intelligence.

Scientists Isolate Cells at Root of Life

By Nicholas Wade
New York Times Service

NEW YORK — Pushing the frontiers of biology closer to the central mystery of life, scientists have for the first time picked out and cultivated the primordial human cells from which an entire individual is created.

The cells, derived from fertilized human eggs just before they would have implanted in the uterus, have the power to develop into many of the 210 different types of cell in the body — and probably all of them. Because they can divide indefinitely in culture without the signs of age that afflict other cells, biologists refer to them as immortal.

The shares of Geron Corp., a drug-research company that sponsored the two research teams that developed the cells, rose sharply Friday. Geron was the most actively traded U.S. stock on Friday, closing up \$7.3125 at \$17.1875. The stock jumped 30 percent Thursday after reports of the discovery leaked to investors. Geron, based in Menlo Park, California, specializes in anti-aging research.

Eventually, researchers hope to use the cells to grow tissue for human transplants or to introduce new or improved genes into people. But there is a thicket of ethical and legal issues, as well as technical problems, to be overcome. Congress in 1995 banned federal financing of research on fetal cells, including those derived from embryos.

The cells used in the research are obtained from embryos created at in-vitro fertilization clinics and so far do not seem definitely different from the primordial cells from which an entire individual is created.

Though some of the scientists involved in the work see nothing unusual about working with these cells, other researchers say they must be treated differently, given their human potential. Once the work becomes widely known, it may draw criticism from those who say it is wrong to interfere with nature by doing research on cells like these.

Known as human embryonic stem cells, they have eluded capture until now because they exist in this state only fleetingly before turning into more specialized cells, and need special ingredients to be kept alive outside the body.

The new cells have many possible uses of which the most promising is to grow new tissue, of any kind, for transplant into a patient's body. The cells may also offer effective routes to human cloning, although both the researchers and their sponsor deny any interest in this application. Another likely use is in gene therapy, the insertion of new or modified genes into body tissue.

Two forms of human embryonic cells have been developed, one by a team under Dr. James Thomson of the University of Wisconsin, the other by Dr. John Gearhart

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Hyde Asks Clinton 81 Questions, Some Pointed

By Eric Schmitt
New York Times Service

WASHINGTON — Forging ahead with an impeachment inquiry that most Americans say Congress should drop, Representative Henry Hyde has asked President Bill Clinton to say flatly whether he lied under oath, tampered with witnesses or obstructed justice.

In an 11-page letter, Mr. Hyde, Re-

publican of Illinois and chairman of the House Judiciary Committee, asked Mr. Clinton to admit or deny 81 selected

Challengers seek to oust Gingrich and Arney as House leaders. Page 3.

findings gleaned from the independent counsel's 443-page report on the president's affair with Monica Lewinsky.

Mr. Hyde indicated to the White House a few weeks ago that he would ask Mr. Clinton to acknowledge certain assertions in the report.

Mr. Hyde said the president could speed the process by not disputing the findings.

But many questions are pointed and ask Mr. Clinton to admit to accusations that he and his advisers have strenuously denied since the independent

counsel Kenneth Starr sent his scathing report to Congress. For example, question No. 20:

"Do you admit or deny that you gave false and misleading testimony under oath when you stated during your deposition in the case of Jones v. Clinton on Jan. 17, 1998, that you did not know if Monica Lewinsky had been sub-

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The Dollar			
New York	Friday 8 A.M.	previous close	
DM	1.6729	1.6806	
Yen	119.045	117.97	
FF	5.6102	5.5685	
Pound	1.6605	1.6615	
Dollars per pound			
The Dow			
Friday close	percent change		
+58.99	8,975.46	+0.67%	
S&P 500			
Friday close	percent change		
+7.15	1,141.00	+0.63%	
Nasdaq			
Friday close	percent change		
+19.46	1,858.56	+1.06%	

AGENDA

U.S. Agrees to Send Food Aid to Russia

The United States and Russia signed an agreement Friday for 3.1 million tons of food aid to help see Russia through the winter.

"Our common cause has been fulfilled," Deputy Prime Minister Genadi Kulik said.

Russian officials said the talks had stalled for a time over American worries about possible corruption and over demands for strict guidelines on how the food would be distributed. Page 4.



SAYONARA, BASEBALL — Sammy Sosa of the Chicago Cubs taking a bow in Tokyo on Friday after he homered in an exhibition game.

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POSTCARD

Pass the Salt, Brad?

By Bernard Weinraub
New York Times Service

LOS ANGELES — Brad Pitt eats pancakes there. Sandra Bullock asks for huevos rancheros. Nicolas Cage shows up with his family for brunch.

"No, it's not some trendy cafe with an unlisted phone number and a snooty policy of favoring celebrities, models and assorted hangers-on. It's the thoroughly nondescript Hollywood Hills Coffee Shop — first come, first served — in a downscale Best Western Hotel on Franklin Avenue near Vine Street — a part of town in need of urban renewal."

"And what makes the coffee shop successful is not so much the movie and television clientele but the high-quality comfort-style food — breakfast dishes all day — which seems as unglamorous and basic as the street outside."

"We serve all day long because that, really, is the L.A. lifestyle," said Susan Fine Moore, the coffee shop's owner, a onetime chef, restaurant consultant and food writer. "Here you're always driving somewhere — you can have a meeting at noon, go over the hill to a studio in the valley and be finished at 2:30, and you're hungry. You go to a fancy restaurant, and they say, 'Oh, the kitchen's closed.' I don't understand that."

Moore took over the once-shabby restaurant with her husband, Michael Moore, a former model, in 1994. The food, she said, was "incredible, beyond crummy, embarrassing." Shaking her head, she added: "Half the time the lights weren't even on. There were dead fake plants in the window."

But she said the place had

"good bones." With an investment of \$50,000, the couple repainted, cleaned up, bought new dishes ("There wasn't a plate that matched," she said), built red Naugahyde booths, hired a new staff and created a sort of diner-Mex fusion menu. The dishes range from omelettes and meat loaf to burritos and the popular torta tortillas (omelettes made with tortillas and topped with salsa).

Shrewdly, Moore kept prices low (most dishes cost less than \$10), sent out flyers in the neighborhood (which is populated by aspiring actors) and hung out a sign saying, "Last Cappuccino Before the 101." (Thousands of cars pass the restaurant to the nearby Route 101, the Hollywood Freeway; it was a signal, of course, that the coffee shop was coming up in the world.)

□

Its coffee shop roots give it little tolerance for Hollywood's diet fads. "We kind of pride ourselves on being an oasis from all that craziness," said Moore, who is planning to open another restaurant, the Bungalow, nearby. "There's a new diet, a new fad every week, but actually people seem a little bit less obsessed than they used to be about diets. Otherwise we wouldn't be so busy."

Sometimes people from as far west as Brentwood and Beverly Hills make the long drive for a Sunday brunch.

"We have an inside joke," Moore said. "People from Brentwood come here, and if you take them to what we consider the best table, they'll refuse it right away. They have to refuse the first table you show them. We'll call them on it. We'll say, 'Are you from Brentwood?' They'll say, 'How did you know?'"

In This Film, Rembrandt's Work Is Center Stage

By Alan Riding
New York Times Service

MIREMY, France — The preferred way of filming the lives of great painters, it seems, is to focus on their lives and ignore their paintings. This at least may explain why movie directors keep returning to Van Gogh, Toulouse-Lautrec, Modigliani and Rembrandt and avoiding the more prosaic careers of, say, Monet, Mondrian and Magritte. Alcoholism, madness and tragedy are evidently easier to portray on screen than mere genius.

But there is another good reason for them to favor life over art. Museums and private collectors are unwilling to lend classic masterpieces to film productions. And with 20th-century paintings, to which copyright rules still apply, estates frequently prohibit the use of even reproductions or copies, as was the case with Merchant-Ivory's "Surviving Picasso" and John Maybury's "Love Is the Devil," his new biopic about Francis Bacon.

It is in hope of breaking this pattern, then, that Charles Matton has chosen a novel approach in "Rembrandt van Rijn," the new French-language movie that he has just begun shooting in the Warner Brothers Studios at Botropf, Germany, for release next fall.

Determined to give the 17th-century Dutch master's paintings a central role in his film, Matton commissioned two French artists, Serge Clement and Marina Kamena, to paint no fewer than eight Rembrandts.

Matton, 66, himself better known in France as a painter and sculptor than as a director, had an additional brainstorm. He wanted Rembrandt's portraits (and two self-portraits) to be copied but with the faces altered to resemble those of his actors: Klaus Maria Brandauer as Rembrandt; Johanna Tersteeg as the artist's wife, Saskia; Romane Bohringer as his maid cum mistress Hendrickje Stoffels; Jean Rochefort as Nicolaes Tulp, the doctor who presides over "The Anatomy Lesson," and Marie-Claude Mestral as Anna Wijmer, mother of Amsterdam's mayor.

And yet Matton did not want the portraits to look so much like his actors that they lost the aura of the originals. "I wanted them halfway between Rembrandt and the actors," he explained. "But I wanted to retain the mood of Rembrandt. This is possible because in portraiture, everything that emphasizes resemblance undermines the quality of the portrait. Even Rembrandt's self-portraits are not identical."

So now, with most of these ersatz Rembrandts in hand, the director can show the canvas while Brandauer's Rembrandt pretends to be painting his subjects (with transparent varnish). Matton, who wrote the screenplay with his wife, Sylvie, can also let the camera dwell on the copied portraits since they, too, have the texture and reflective light of real oils.

Still, for Clement, 65, and his wife, Kamena, 53, the challenge of copying, and changing, Rembrandt has proved humbling.

"We are in the process of being given a magisterial lesson in painting," Clement explained in an interview in his studio in this village, 60 miles south of Paris. "Rembrandt was really the first to make the most of painting in oil. He could



Studios for Rembrandt van Rijn, left, and Van Gogh, right. Portraits by

Rembrandt's portrait of his wife, Saskia, left, was adapted by Serge Clement for a film about the Dutch master. His painting, right, resembles the actress Johanna Tersteeg, center, who plays Saskia.

paint ugly things and make them beautiful." The two artists faced a further problem that did not worry Rembrandt: They were expected to complete eight paintings, and show four others at an early stage, in just two months. So there was no question of starting from scratch; their priority was to introduce a subtle though clear resemblance to the movie's actors.

They decided to work on life-size color photographs of the eight paintings glued to canvas. But they also had to develop their own special techniques for this bizarre adventure.

The first step in each case was to cover the original face with gesso, thus acquiring a base on which to paint. Then, using thin oil paint and acrylic, they copied the face of the actor from a photograph. At this point, the resemblance was total. Next, having covered this image with a transparent gel, they put aside the photograph of the actor and turned instead to a photograph of the original painting, working in thick oil to create a hybrid.

Finally, they applied a glazing to capture Rembrandt's luminosity. The paint used at the final stages was similar to that available to Rembrandt.

In practice, they had to treat other areas of the painting to cover evidence of the photograph. In some cases, they also recovered important details of the paintings that were somehow lost in the photographs.

"With Dr. Tulp, you can't see his feet," said Kamena, whose assignments included "The Anatomy Lesson." "So we had to repaint them in the same way: an isolating layer of varnish, a transparent texture and then oil."

Clement also had something of a revelation when he added Bohringer to Rembrandt's 1654 painting of Hendrick-

je Stoffels as "Bathsheba Holding King David's Letter."

"Rembrandt cheated," he said with a laugh. "No, I don't like that word. Rembrandt was a rearranger. When I asked Romane Bohringer to bow her head and keep her shoulders in Hendrickje's position, she couldn't. Rembrandt turned her face forward but not her shoulders. He was looking for effect, not accuracy."

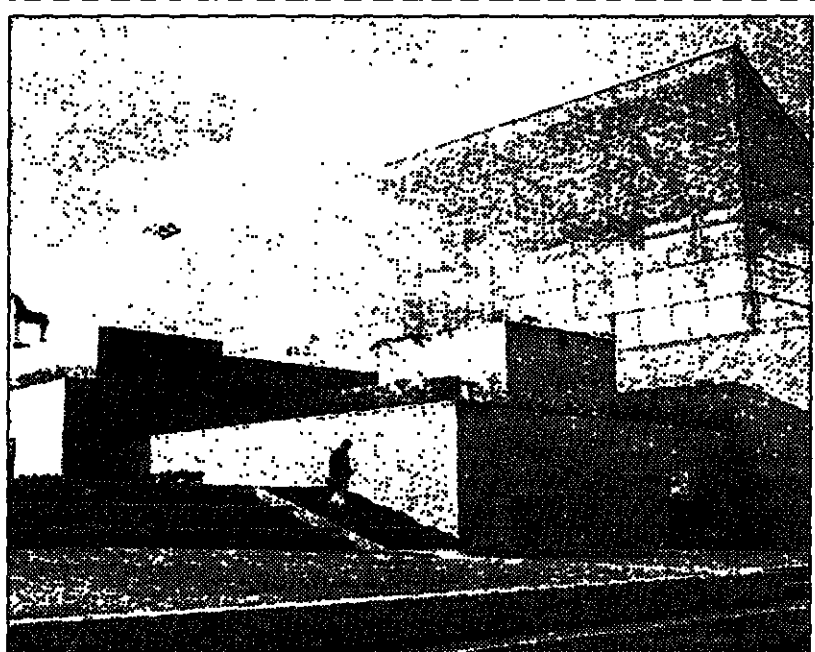
Kamena said: "These are not Rembrandts, not even false Rembrandts. They're simply illusions because cinema is illusion."

On one point, though, Matton is eager to keep things real: He will not show Brandauer's Rembrandt painting a portrait from start to finish. "We know the results of Rembrandt's work, but we do not know how he painted," he said. "We don't know if he worked from sketches, if he started on the top or the bottom, on the left or the right, with the background or the foreground. So we have to be honest."

As a painter, Matton has also had no hesitation in discouraging Brandauer from overacting his role before the canvas. "People think that a painter is like the conductor of an orchestra, using big, sweeping, romantic, impulsive gestures," he noted. "He is not. Painting is above all contemplative. The violence on the canvas is cerebral, not physical."

As it happens, painters will have the last word in this \$12 million movie in more ways than one. "Charles Matton says that the makeup people should copy what we have done in the portraits," Clement said with undisguised satisfaction. "So it goes full circle. We make the paintings look like the actors, then the actors are made to look like the paintings. Ah, the games of illusion."

PEOPLE



UNVEILING — A view of the museum of modern art in Strasbourg, which will open on Friday. The glass and granite facade is guarded by the bronze statue of a horse created by the Italian artist Mimmo Paladino.

CHINESE hand-scroll painting on silk of minutely observed insects and plants, looking as fresh as the day it was finished, has been added to the collection of the British Museum. The 12-foot-long, 14th-century painting, "The Fascination of Nature," by Xie Chufang, was hailed by museum officials as one of the rarest of its kind. It will go on display from December to April and will be shielded from daylight for the rest of the year, to preserve the colors and the silk. The work was acquired from a private collector for \$629,000.

Yoko Ono and Linda McCartney liked each other. Really. So says Ono, anyway. In an interview published Wednesday, the widow of John Lennon dismissed the commonly held belief that she and Paul McCartney's wife, who died of breast cancer in April, didn't care for each other. "People always portrayed us as enemies, like two boxers on opposite sides of the ring, but of course it was never really like that," Ono was quoted as saying in the Liverpool Echo.

"In later life especially, we became friends. We had an understanding of each other. We had both married Beatles and we knew what that was like."

□
Could it be a match made in Mozambique operatic heaven when a surprise guest joins Bryn Terfel and other Metropolitan Opera stars for the 23rd Richard Tucker Gala at Avery Fisher Hall in New York on Sunday? The stage was set for an unannounced guest after Luciano Pavarotti, recovering from knee and hip surgery, bowed out as master of ceremonies of the event. The gala raises money for awards, grants and programs that foster the careers of American singers.

GaultMillau Cheers Grand Vefour's Chef

Reuters

PARIS — Guy Martin of the restaurant Le Grand Vefour in Paris has been named France's Chef of the Year by the GaultMillau guidebook. The restaurant, which Martin has run for the past seven years, was also elevated in the guidebook's new 1999 edition to its highest rating of 19/20, GaultMillau said Wednesday.

Le Grand Vefour, at the gardens of the Palais Royal in the first arrondissement, was opened in 1760 and is known for its lush interior and period furniture. Martin's cooking is based primarily on traditional recipes from the French Alps region. But a typical day's menu at his restaurant mixes classic dishes with modern recipes like stewed mango with red pepper sorbet and cabbage sorbet in a dark chocolate sauce.

Also elevated to GaultMillau's highest ranking this year were the Guy Savoy restaurant and Taillevent.

ers. Among Tucker Award winners appearing at the gala are Richard Leech, April Millo, Dwayne Croft and Patricia Racette.

□
The pop singer Liam Gallagher was arrested after being accused of attacking a photographer and damaging his camera equipment outside a pub. The Mirror newspaper said the Oasis singer punched Mel Bouzad and smashed his equipment after the photographer followed the singer to a pub near his north London home. Gallagher was taken to a police station, questioned and released on bail.

□
In the world of Evel Knievel, this motorcycle mishap was nothing much. The 60-year-old daredevil suffered a minor scrape in Clearwater, Florida, when his parked bike toppled over, pinning him beneath it. He was sitting on it without the kickstand down. Neighbors heard him yell for help, freed him and summoned paramedics.



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Inward Look Finds Swiss More Openly Anti-Semitic Since Holocaust Feud

By Elizabeth Olson
New York Times Service

GENEVA — Anti-Semitism has spread in Switzerland in reaction to the recent scrutiny of the country's wartime actions, according to a government commission.

A yearlong study found that inhibitions against the open expression of racist views had been swept away during the controversy over Switzerland's responsibility to compensate Holocaust victims for assets lost during World War II. The controversy broadened into a wide-ranging examination of Switzerland's role in the war.

"The Swiss believed that they were different, that they didn't have dirty hands, that they were specially protected against all that happened around them," said Doris Angst Yilmaz, the commission's secretary-general. "This study showed that we are like our neighbors. We are not

special or different, even in anti-Semitism."

The Swiss Jewish Federation said the finding, released Thursday, "shows there is a significant need in Switzerland to improve education so that there is better knowledge of, and communication with, the Jewish minority." Of the 7 million people living in Switzerland, about 17,500 are Jews.

Although prejudice has existed in Switzerland for centuries, the most famous example occurred in 1938, when Switzerland asked Germany and Austria to stamp a "J" on the passports of Jews, a practice used to identify them in order to bar their entry into Switzerland.

The report found that prejudice against Jews is not organized and is seldom linked to rightist extremism.

"You find anti-Semitism here in daily life, not in organized demonstrations," said Professor Georg Kreis, a Basel University history pro-

fessor who specializes in World War II and who led the study. "It is not confined only to one class, but exists throughout society."

The "political crisis concerning Switzerland's self-image" and a recent economic downturn combined to bring anti-Jewish feeling into the open, according to the report.

"Latent anti-Semitism is again being increasingly expressed in public by word and by deed," the report said. "There often emerges a dangerous differentiation between 'the Swiss' and 'the Jews.'"

"The Jews" were the villains and "the Swiss" were the victims, Mrs. Yilmaz summed up.

The study was undertaken after Jean Pascal Delamuraz, then the Swiss president, in provocative remarks in December 1996, labeled Jewish demands for compensation "blackmail."

His remarks helped make Jewish stereotypes acceptable and anti-Semitic sentiment burst into

public view, the report said. He later apologized, but the report said his view was supported by a large number of Swiss, as shown in letters to newspapers, remarks in the media and comments in markets and other public places. Jewish groups and prominent individuals began receiving threatening letters.

Although the commission completed its report prior to the agreement in August by Switzerland's largest banks to pay \$1.25 billion to Holocaust survivors, the report warned that the deal "may arouse new signs of anti-Semitism in Switzerland."

Switzerland signed international human rights accords in 1994, and later 55 percent of the Swiss voters approved anti-racist laws, similar to those in France and Germany, that forbid disparaging the Holocaust. In 1995, the Federal Commission against Racism was established.

The report said this legislation ended Switzerland's position as "a hub for slanderous anti-Semitic and 'negationist' material in Europe," a role that had grown because the country lacked legal barriers.

land's position as "a hub for slanderous anti-Semitic and 'negationist' material in Europe," a role that had grown because the country lacked legal barriers.

Israeli Aide Praises Bulgaria

The speaker of the Knesset, Israel's Parliament, on Friday praised Bulgaria for saving its Jews from Nazi concentration camps in World War II and remaining free of anti-Semitism. The Associated Press reported from Sofia.

"Unlike other states in Eastern Europe, Bulgaria has never seen anti-Semitism," Dan Tihon said. "Jews have always been an organic part of the life of Bulgarian society."

Mr. Tihon addressed Bulgarian lawmakers in a session commemorating Dimitar Peshev, a Bulgarian lawmaker who played a key role in saving the 48,000 Jews living in the country in 1943 from being deported to a death camp.

French Skirmish Over 1917 Mutiny

Chirac Judges Jospin's Call for Rehabilitation Over the Top

By Craig R. Whitney
New York Times Service

PARIS — A day after Prime Minister Lionel Jospin called for rehabilitation of French soldiers executed for refusing to fight in a World War I battle that cost 300,000 French lives, the country's Gaullist president, Jacques Chirac, on Friday called the prime minister's remarks "inopportune."

The 1917 battle, along a ridge line road called the Chemin des Dames, remains a sensitive subject in France on the eve of the 80th anniversary of the

Nov. 11 armistice that ended the war.

An aide said that Mr. Chirac's office had received outraged complaints from families of soldiers killed in the war and from some of the few hundred surviving veterans after Mr. Jospin made his remarks Thursday.

Recalling the battle of the Chemin des Dames at a ceremony for the dead in the village of Craonne, Mr. Jospin said: "Some of these soldiers, exhausted by attacks that were doomed in advance, slipping in mud stained with blood, plunged into bottomless despair, refused to be sacrificed. Let these soldiers,

'shot as examples' in the name of discipline whose rigor was equaled only by the hardships of battle, be reintegrated today, fully, in our national collective memory."

Friday, Mr. Chirac, forced to live with Mr. Jospin's leftist coalition government after elections last year called by the president failed to produce the expected Gaullist victory, let the prime minister know he had gone too far, softening the blow by issuing the statement from his office in the Elysee Palace rather than in his own name.

"At the moment when the nation is commemorating the sacrifice of more than a million French soldiers who gave their lives between 1914 and 1918 to defend their invaded homeland, the Elysee finds any public statement that could be interpreted as rehabilitation of the mutineers inopportune," Mr. Chirac's office said.

The power of the past remains strong in Europe, and in Britain, families of soldiers executed during the war for cowardice and desertion won permission this year for the first time to hold a ceremony in their memory Saturday at the monument to the war dead in London's Whitehall.

Here, Mr. Chirac and his Gaullist camp, always wary of being co-opted by the left and pragmatic Mr. Jospin, chose to pick a political fight over a World War I battle ground. The controversy also pitted Gaullist patriotic sentiment against suspicious of Socialist and Communist pacifist leanings, suspicions that go all the way back to the Great War.

Mr. Jospin's father, 17 years old and evacuated by the German occupiers with other civilians after the French started their offensive on the Chemin des Dames in the spring of 1917, said he had become a pacifist after seeing the mutilated dead bodies of soldiers along the roadside.

Stanley Kubrick's "Paths of Glory," a movie about the mutinies made in 1957, was banned in France until 1972.

Berlin Ends Islam Dispute

Court Allows Muslim Instruction in City Schools

By Roger Cohen
New York Times Service

BERLIN — After a long dispute, a Berlin court has ruled that the city's 35,000 Muslim children will be allowed to receive Islamic religious instruction in schools for the first time.

The decision, long resisted by the city government, opens the way for the Islamic Federation, a group representing many of Berlin's 220,000 Muslims, to give lessons on the Koran and Islamic tradition.

Up to now no such instruction had been available, although classes in the Roman Catholic and Protestant faiths were offered.

"We delayed this much too long, and the result was the decision ended up in court," said Barbara John, the city's commissioner for foreign affairs. "The fact is, there is a growing phobia about Islam in European countries linked to television images of Iraq, Algeria and Iran, and that fear is gravely misplaced."

The decision reflects Germany's gradual and painful reconciliation with the fact that it is a multiracial state with by far the largest population of foreigners — more than 7 million — in Europe. Last month the new Social Democratic government agreed on draft legislation that would make it easier for these foreigners, who include about 2.2 million Turks, to become German.

In a country where religious education is generally obligatory, Berlin is one of only three federal states that have made religion a voluntary subject. The others are Bremen and Brandenburg.

The authorities here have left it primarily to the Catholic and Protestant churches to organize classes and cur-

riculums in two free hours provided every week. About 40 percent of pupils have chosen to attend.

But under the pretext that no suitable organization existed to represent the city's large Muslim population in drawing up a syllabus, Berlin had barred Islamic instruction despite a campaign by the Islamic Federation that lasted more than 10 years and ended up in court.

"We had been forced to send our children to mosques" to receive instruction in their spare time, said Belkiz Durak, the chairman of the federation's executive committee. "The problem is that the media have often portrayed us as radicals, although our ideals are tolerance and understanding."

Still, some doubts persist about the nature of the federation, which is generally regarded as the most radical of three large Islamic groups in Berlin. The others are the Turkish Islamic Union and the Islamic Cultural Centers.

"It is unfortunate that the court identified only one organization, and the one seen by other groups as closest to the fundamentalists," Ms. John said. "But this is the result of our own failure to come up with a different solution earlier."

Of Berlin's Muslim population, about 70 percent are Turks, with other large communities from Bosnia and Lebanon. The city has 70 mosques.

In a statement issued Thursday, the Berlin City Council said that all classes on Islam in the city should be taught in German, and it urged the three main Islamic organizations to "form a joint association with the aim of defining the framework of lessons."

Classes are expected to begin next summer.



A Winter Wonderland in November

Snow-covered trees framing a landscape near the Titisee resort area in the Black Forest in southern Germany on Friday. As autumn settles in around most regions of Europe, the first snow fell in areas of higher elevations such as the Feldberg mountain here, which is 1,493 meters high.

BRIEFLY

Jewish Leader Sees More German Bias

BONN — Germany's Jewish leader has warned of a resurgence of far-right extremism ahead of the 60th anniversary of a Nazi pogrom that came to be seen as an ominous portent of the Holocaust.

Ignatz Bubis, head of the Central Council of Jews in Germany, said he was also concerned about a rise in anti-Semitism in Germany in an interview with the Jewish quarterly, *Tribune*, excerpts of which were released on Friday.

Each year, Germany marks *Kristallnacht* (Night of Broken Glass) of Nov. 9-10, 1938, when Hitler's stormtroopers mounted a pogrom, killing 91 Jews and ransacking their homes, businesses and synagogues.

Germans are set to take part in commemorations, religious services and other events across the country for the next few days to remember that night 60 years ago. (Reuters)

Swiss to Investigate Crash of Airliner

GENEVA — A Swiss judge has opened an investigation of Swissair on the basis of "manslaughter through negligence" in the crash of the airline's MD-11 jet off the Canadian coast last September, a lawyer in the case said Friday.

The parents of a 19-year-old woman, one of the 229 people on board Flight 111 who all died, filed a complaint against Swissair with the Geneva district attorney, who decided to open a "criminal investigation," said Christian Lüscher, a lawyer for the plaintiffs. (AP)

U.S.-Deported Man Released in Belfast

BELFAST — An Irish Republican Army fugitive at the center of a major then legal battle to stay in the United States was the latest convict paroled Friday under terms of Northern Ireland's peace accord.

Joe Doherty, sentenced to life in absentia for killing a British Army commander in 1980, walked free from the anti-terrorist Maze prison, six years after losing a U.S. Supreme Court appeal against extradition.

Mr. Doherty reached New York with a fake passport after shooting his way out of a Belfast jail during a 1981 trial. The FBI arrested him in Manhattan in 1983.

During his fight to stay in the United States, he won broad support from the city's Irish-American lobby. (AP)

Chile Recalls Envoy Over Spain's Call for Pinochet

The Associated Press

SANTIAGO — Chile recalled its ambassador to Spain on Friday to protest a decision by the Spanish government to request the extradition of General Augusto Pinochet.

The Spanish cabinet approved a request from a Spanish magistrate, Baltasar Garçon, for the extradition of General Pinochet from Britain to Spain to be tried for genocide, terrorism and torture during his rule from 1973 to 1990.

The Chilean foreign minister, Jose Miguel Insulza, said relations with Spain would not be broken or suspen-

ded. But the foreign minister, visibly angry, said that the Spanish Council of Ministers had acted "as a mere mailbox for Judge Garçon's requests."

The ambassador, Sergio Pizarro, was expected to return to Santiago over the weekend, he said.

General Pinochet, 82, was arrested Oct. 16 in Britain at the request of Judge Garçon, who is investigating the killing and torture of Spanish citizens in Chile.

The government of Chile has sought to secure the former dictator's release, asserting that he has immunity and that

Spanish courts have no jurisdiction over events in Chile.

The decision of the Spanish cabinet leaves General Pinochet's fate in Britain's hands.

The High Court in London ruled on Oct. 28 that his status as head of state conferred immunity from prosecution for crimes committed during his rule. A five-judge panel from the House of Lords is hearing an appeal of that decision and is expected to rule next week. In the meantime, General Pinochet is under police guard in a London hospital, where he is recovering from back surgery.

TRAVEL UPDATE

Milan Hub Recovers From Sticky Runway

MILAN (AP) — A sticky resin that grounded about 20 planes at Malpensa airport near Milan has been cleared from the runway, and flights are back on schedule, airport officials said Friday.

One of the international hub's two runways was closed Thursday after officials discovered that a resin applied overnight had melted and was sticking to the wheels of aircraft that landed or were trying to take off. The resin was applied to make the runways more visible to pilots.

The head of the company that runs the airport blamed employees of a subcontractor. The authorities in Varese, north of Milan, opened an investigation into the incident Friday.

Eiffel Tower Reopens

PARIS (AP) — The Eiffel Tower reopened Friday after management agreed to accelerate the closing of seven workers, ending a weeklong strike. The walkout cost an estimated 300,000 francs (\$55,000) per day.

British Airways and Malev Airlines will start joint service between Budapest and Manchester and Birmingham, in England, on Nov. 16. (AFP)

Traffic bans on the Rhine River from Mannheim to the Netherlands and the Neckar near Heidelberg ended Friday after high water receded, but the Danube from Passau to Regensburg and most of the Main stayed closed. (AFP)

Correction

The source of a photograph on the front page of Wednesday's editions, showing a newstand in Vietnam, was misidentified. The photo was taken by Thomas Crampton of the International Herald Tribune.

Comoros President Is Reported Dead

Reuters

MORONI, Comoros — President Mohammed Taki of the Comoros died Friday of natural causes, the state radio announced.

Soldiers were deployed on the streets of Moroni, the capital, but there were no signs of civil unrest, witnesses said.

Mr. Taki, 62, is the third president to die in office since the Indian Ocean archipelago won its independence from France in 1975. The Comoros have been riven by coups, attempted coups and even secessionist movements since then.

"The president died early this morning just hours after his return from an 11-day trip abroad," said a presidential aide who declined to be named. Mr. Taki had been in Turkey.

His body was sent to his home village of Mbembi, 35 kilometers (22 miles) northeast of the capital, said the presidential aide and an army officer who also declined to be identified.

According to the constitution, the president of the high council takes over in case of the president's death. Tadjidine Ben Said Massonde, a financial inspector and Mr. Taki's first prime minister in 1996 after he came to power, holds that post.

WEATHER

Forecast for Sunday through Tuesday, as provided by AccuWeather.



Maps, forecasts and data provided by AccuWeather, Inc. ©1998 - http://www.accuweather.com

Europe				North America			
Country	High	Low	Wind	Country	High	Low	Wind
Algeria	20/20	14/17	SE 10	USA	20/20	14/17	SE 10
Belgium	18/18	12/12	SE 10	Canada	20/20	14/17	SE 10
France	18/18	12/12	SE 10	USA	20/20	14/17	SE 10
Germany	18/18	12/12	SE 10	Canada	20/20	14/17	SE 10
Italy	18/18	12/12	SE 10	USA	20/20	14/17	SE 10
Spain	18/18	12/12	SE 10	Canada	20/20	14/17	SE 10
UK	18/18	12/12	SE 10	USA	20/20	14/17	SE 10
...

Asia				Africa			
Country	High	Low	Wind	Country	High	Low	Wind
Japan	20/20	14/17	SE 10	Algeria	20/20	14/17	SE 10
China	20/20	14/17	SE 10	Libya	20/20	14/17	SE 10
India	20/20	14/17	SE 10	South Africa	20/20	14/17	SE 10
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SINGAPORE - S\$	3.50	1.25	64%
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Malaysia Builds a Case for Controls

By Mark Landler
New York Times Service

KUALA LUMPUR — In little more than a week, the world's leaders will converge on this businesslike city in the heart of Southeast Asia for the annual meeting of the Asia-Pacific Economic Cooperation forum. They could hardly be meeting in a more provocative place.

On Sept. 1, Malaysia discontinued trading in its currency, the ringgit, and imposed sweeping controls on the flow of capital in its stock and currency markets, particularly on investment from overseas. In doing so, the Malaysian prime minister,

Mahathir bin Mohamad, in effect slammed the door on the global economy that President Bill Clinton and the other leaders are coming here to champion.

Mr. Mahathir's decision drew jeers from international investors and policymakers, who warned that Malaysia was seeking a quick fix that would retard its desperately needed reforms and leave it on the sidelines when Asia finally recovered from the regional malaise.

Now, however, Mr. Mahathir's allies are marshaling new economic data that they say indicate that capital controls are breathing new life into the country's moribund economy. Malaysia's foreign

reserves rose strongly in September, and there is anecdotal evidence that consumers are starting to spend again.

"It's nice to be able to say that since we adopted capital controls, the economy has improved," said Zainal Azman Yusof, deputy director of the Institute of Strategic and International Studies, a research organization here that helped draft the policies. "But we want to see whether this is strongly sustainable."

Critics said it was predictable that capital controls would be a short-term tonic to Malaysia's economy. Because the country is sheltered from the vagaries of capital flows and currency fluctuations, they said, the government has been able to ease interest rates and encourage consumer spending.

Still, the mere fact that Malaysia's experiment has yielded some positive results guarantees that the issue will come up during the APEC meeting. With Mr. Mahathir leading the campaign, the cause of capital controls will have a fiery advocate who has a penchant for getting under the skin of Westerners.

"Mahathir is a very outspoken political leader," said Chia Yew Boon, an independent analyst in Singapore. "There is no way the likes of Clinton or Jiang Zemin are going to be able to muzzle him," he added, referring to the president of China.

Policymakers in the United States have expressed fears that if Malaysia's gambit is seen as successful, other economically weakened countries in the region, such as Indonesia, might be tempted to try it.

So far, Indonesian officials have said they will stick to the recovery plan devised by the International Monetary Fund, which stresses economic austerity and open markets.

But officials in Japan have expressed sympathy for Mr. Mahathir's policies, while Paul Krugman, an economist at the Massachusetts Institute of Technology, has advocated using some version of them as an emergency measure.

Mr. Yusof said recent events had vindicated Malaysia's contention that it needed to insulate itself from the ravages of the global financial system. He said the recent near-collapse of a prominent American hedge fund underscored how sudden flows of capital can have destructive consequences. The fund, Long-Term Capital Management LP, was nearly wrecked by a series of wrong bets on Treasury securities after the collapse of the economy in Russia prompted a flight of capital out of that country.

The LTCM fiasco really provides a case study of what could go wrong in the global economy," Mr. Yusof said.

With capital controls as protection, Mr. Yusof said, Malaysia is picking up the pieces of its shattered economy. In addition to building its foreign reserves, he said, Malaysia has improved its trade balance and revived consumer purchases of durable goods.

Foreign investors have also not wholly abandoned Malaysia, as some experts had predicted they would. While foreign direct investment fell in September — to \$142 million, from an average monthly rate of \$321 million for the period from January through September — it did not dry up completely.

For every comforting statistic, though, the critics produce an alarming one. They said the increase in Malaysia's foreign reserves was merely due to the new capital restrictions, which stipulated that Malaysian currency held outside the country would be worthless unless repatriated by Sept. 30.

The skeptics also noted that bank lending declined in September, despite several reductions in interest rates. So the consumers who are buying new cars and home appliances are dipping into their savings, which means the buying spree will end when their savings are depleted.

"The argument was that by imposing capital controls, you'd regain control over monetary policy, which would increase the supply of money and lessen the liquidity crunch," said K.S. Jomo, a professor at the University of Malaya. "That's not happening."



Indonesian students protesting Friday in Jakarta as riot policemen kept them from reaching the main gate of the Parliament building.

BRIEFLY

Indonesian Students Protest on Suharto

JAKARTA — Thousands of Indonesian students protested Friday to demand that former President Suharto and his allies stand trial for crimes against the country during his long rule.

There were no reports of violence during the protests, which were staged as tension mounted ahead of next week's special session of the People's Consultative Assembly to rewrite political laws and move Indonesia toward democracy.

About 10,000 students gathered at the University of Indonesia campus in central Jakarta but later dispersed peacefully.

They called for action against Mr. Suharto, whose 32-year rule ended in May in the face of a growing economic and social crisis.

The students also demanded an end to the political role of the military, whose image has been tarnished in recent months following revelations of mass human rights abuses during the Suharto era.

Pakistani Rebuffed By Virginia Court

RICHMOND — The Virginia Supreme Court upheld on Friday the

capital murder conviction and death sentence of a Pakistani man who killed two CIA employees outside the agency's headquarters in Langley, Virginia.

Mr. Aimal Kasi's lawyer had argued that his arrest in his homeland was a "forcible abduction" that violated a 1955 extradition treaty.

FBI agents arrested Mr. Kasi in a hotel room on June 17, 1997, more than four years after the shootings. His lawyer, Edward Sanders Jr., argued that the FBI had no right under the treaty to arrest Mr. Kasi overseas and return him to the United States without the Pakistani government's consent.

The Supreme Court unanimously disagreed.

Kashmir Talks Fail To Make Progress

NEW DELHI — Talks between senior defense officials from Pakistan and India made little progress Friday in settling a dispute over a Himalayan glacier where 13 soldiers have been killed in 10 days.

The two sides were trying to defuse tensions in the contested Kashmir region, but they agreed only to hold another round of talks.

Reports Thursday night described a heavy artillery exchange on the Siachen Glacier in northern Kashmir, a Himalayan region that is claimed by both countries.

TRIAL: Police Inquiry in '97 Called Anti-Anwar Charges Baseless

Continued from Page 1

his arrest, he led tens of thousands of Malaysians in a show of people power to demand a revision of the country's political system, an end to high-level corruption and the resignation of Mr. Mahathir, who has held power here for 17 years and is now Southeast Asia's longest-serving leader.

Mr. Mahathir was clearly looking to the court system to prove his accusations that Mr. Anwar was, in his words, "a sodomite who was morally unfit" to succeed him. But in this first week of what is expected to be a lengthy trial, the case by the prosecutors has suffered a series of embarrassing setbacks, surprisingly from their own lead witness.

Rather than lay out the broad outlines of the government's case that Mr. Anwar

engaged in sexual misconduct and tried to cover it up, Mr. Mohamed Said has ended up bolstering Mr. Anwar's insistence that the charges against him were fabricated.

"I think the prosecution is in total disarray," said Syed Husin Ali, who heads the small opposition Malaysian People's Party. "From what I've heard, they might as well close their case. From the way they are going, it all depends on how well the people cooperating with you hold up. But it's very difficult to stand up in favor of lies."

Mr. Syed Husin said that many Malaysians were already convinced there was an anti-Anwar conspiracy consisting of political rivals for the position of Mr. Mahathir's successor and corporate groups that want to protect

their interests from Mr. Anwar's Western-oriented economic policies, which might have forced many of them into bankruptcy.

"There's a general knowledge that there are those who wanted Anwar out," he said. "Their economic and political interests linked up."

In his testimony Friday, Mr. Mohamed Said, who the day before admitted that he would be willing to lie in court if ordered to do so by his superiors, declined to say who was part of the conspiracy to topple Mr. Anwar.

His 1997 report mentioned just two persons, including a dismissed police inspector named Mohamed Taib who, Mr. Mohamed Said wrote, posed as an intelligence officer and persuaded Mr. Anwar's accusers to make their damaging statements.

CONGO: Rwanda Admits to Role in War, Opening Way for Talks

Continued from Page 1

supporting the rebels. Uganda has admitted it has troops inside Congo, but Rwanda's denials have scuppered several attempts at mediation.

"Many people felt that the fact that Rwanda did not admit that they were combatants created immense difficulties," Mr. Mandela said. "Now that Rwanda has made this acknowledgment, I think that we have reason to believe there is going to be progress."

Though thousands of his own mutinous and murderous troops appear to form the core of the rebel force, Mr. Kabila has called the conflict an invasion by Rwanda's army and its close ally, Uganda. Some diplomats also have characterized the war as an invasion.

Rwanda maintained its silence on its involvement in an effort to avoid fueling "hatred" about foreign forces, Mr. Kagame said. "The conflict was an

internal conflict which has brought in external forces," he said.

Since installing Mr. Kabila in power in May 1997, Rwanda has progressively fallen out with him over the border security issue. Rwanda allowed hundreds of its troops to remain in Congo to help organize Mr. Kabila's new military. But as relations became strained, Mr. Kabila suddenly announced late in July — despite a prior agreement for a Rwandan withdrawal — that he was kicking Rwandan troops out of the country. This, Mr. Kabila said, was a final breach and for his army, led to a final breach and Rwanda's decision to move in.

Mr. Kagame was vague Friday on precisely when his troops moved into Congo. He denied that his army was inside Congolese territory on Aug. 2, but suggested that troops moved in soon thereafter.

The degree of insecurity that Rwanda is facing from Hutu extremists inside

and outside its borders was graphically demonstrated by a UN statement Friday that 630,000 Rwandans had been displaced by fighting in the northwest regions near the Congolese border.

The framework that Mr. Mandela and others are proposing includes a ceasefire, a troop standstill, a foreign troop withdrawal, and talks leading to Congolese elections. But Mr. Kabila has said he will not negotiate until Rwandan and Ugandan troops are withdrawn.

Meanwhile, his main backers — Zimbabwe and Angola — reportedly have stepped up deployments of their troops in the key eastern and central regions that are the flashpoints of the war. The concerted effort to stop the rebel advance appears to have had some effect. The rebels, called the Congolese Rally for Democracy, who at some stages in the war had made almost daily announcements of territorial gains, have fallen silent on the subject in recent days.

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A Hurricane's Deadly Aftermath: Tombs of Mud and Obliterated Villages

By Molly Moore
Washington Post Service

CALLE REAL DEL BOSQUE, Nicaragua—The terror of their final moments is frozen on the faces and bodies of the dead. One man's arm clutched a tree trunk, his face contorted in a scream as the currents of a muddy river ripped his body apart at the waist, leaving his torso dangling from a clump of debris.

A young boy, his body half-buried, tried desperately to crawl to the surface of the mud as he was swept down the side of the dormant Casitas volcano in an avalanche of houses, bodies and trees. A tiny girl clawed at the earth and kicked her legs in panic as she was hurled forward to her death on her back, eyes open wide.

A week after torrential rains from the hurricane designated Mitch pummeled Central America, a grotesque field of corpses remains as grisly evidence of the mudslide that cascaded

down the flank of the volcano in northwestern Nicaragua on Oct. 30.

Bloated bodies with faces twisted in pain are strewn about the mud. Wheat stalks and sugar cane lie flattened as though pressed into the earth by some gargantuan steamroller. Entire villages were swallowed by the cascading mud then spat back out as chunks of concrete, snapped logs, stray cooking pots and shredded pieces of clothing.

The massive mudslide, which began with a collapse of the volcano's crown and roared down the side of its 1,600-meter cone, may have killed most of the 4,000 people who lived in 30 villages that once speckled the volcano's lush green slopes. So far, Nicaraguan authorities have confirmed 1,652 deaths and reported 1,800 people missing.

Across Central America, government officials and relief workers estimate at least 10,000 people have died in one of the most devastating natural disasters to hit the impoverished isthmus this century; so far, authorities have confirmed the

deaths of 8,500 people, of which the largest share, 6,076, occurred in Honduras. An estimated 2 million people have been left homeless, straining the efforts of governments and aid agencies to provide shelter, food and medicine in Nicaragua and Honduras.

But authorities said the death counts remain only estimates. "We will never know the real death toll, since many people were buried by mud and entire families died in distant villages where there is no one to report their disappearance," said Tito Sequiera, a senior disaster official. Nicaraguan officials said, for example, that they were uncertain of the fate of more than half of the villages on the shoulders of the Casitas volcano because they had had no communication with them.

For generations, poor Nicaraguan farmers have tilled the black volcanic earth of the Casitas volcano, turning its sides into a patchwork of lime-green and emerald fields of corn, soybeans, peanuts and wheat. The volcano, long dormant,

was never considered a threat. But after Mitch churned off Central America's Caribbean coast and moved inland last week, dumping about 130 centimeters (about 50 inches) of rain on northwestern Nicaragua, the volcano's crater filled with water so rapidly that its crown burst like an overtaxed dam. So many bodies are believed to be buried beneath the mud that flowed down the side of Casitas volcano that officials have proposed declaring the area a national cemetery.

For those bodies pushed to the top of the muck, disposal has been a morbid affair. Teams of health inspectors clad in blue plastic capes, face masks and rubber gloves set out each day to search for bodies. They spray them with gasoline and set them afire to prevent disease. The bodies, some bloated to three times their normal size, remain nameless and unidentified.

Sergio Santeliz, a 50-year-old farmer, lost 21 relatives — brothers, nephews, nieces, grandchildren — to the avalanche of mud and water. When

his 12-year-old grandson, Isia, died in a hospital of a ruptured stomach after he was evacuated from the wrecked town of Rolando Rodriguez, Mr. Santeliz was determined that the boy would be buried with dignity, a symbol for the nameless dead who could not be properly laid to rest.

As bodies burned in a nearby field and a church bell tolled Wednesday, the surviving Santeliz family members gathered around a small gray coffin in the cemetery of the nearby town of Posoltega. Isia's body was wrapped in a cream and baby-blue cotton shroud, his damaged face framed by white lace. His sobbing grandmother and aunts stroked his curly black hair, dropped clusters of tropical orange flowers around his body, then stepped aside as his grandfather and others nailed the lid shut and struggled to place the coffin in a water-filled hole.

"Everything we own has been obliterated," said Mr. Santeliz. "My family has been lost to the earth."

Washington Signs Pact for Food to Russia

By David Hoffman
Washington Post Service

MOSCOW—Russia and the United States agreed Friday on details of food aid to help see Russia through the winter after a poor harvest and hardship caused by the devaluation of the ruble and the rapid rise of food import prices.

Russia also received word from Prime Minister Keizo Obuchi of Japan of a promised \$800 million loan that is to be provided as part of a larger loan package allocated by the Export-Import Bank of Japan.

The U.S. food aid envisioned in three protocols signed here Friday includes more than 3 million tons of wheat and foodstuffs, officials said.

The first agreement calls for the United States to advance a \$600 million loan for the purchase of 1.5 million tons of food, including 500,000 tons of corn, 300,000 tons of soybean meal, 200,000 tons of soybeans, 200,000 tons of wheat, and 100,000 tons of rice. It also includes 120,000 tons of beef, 50,000 tons of pork, and 30,000 tons of nonfat dry milk. The Department of Agriculture said. The 20-year credit carries a 2 percent interest rate and five-year delay before the first payments.

In the second agreement, Washington will donate 1.5 million tons of wheat that will be processed into flour and sold on the Russian market. The proceeds are to go to the state Pension Fund, although a Russian official said more vaguely that they might be used for social programs.

The third calls for humanitarian aid of 100,000 tons of food, to be delivered directly to Russia's regions and charities, especially those in the Far North and Far East.

Washington is to provide \$260 million for food transportation. The supplies will start in December and last for the first half of 1999, officials said.

In earlier years, humanitarian aid often made its way onto the black market. U.S. officials said a two-man team will be permanently stationed in Russia to oversee the new aid.

The two sides also agreed that the aid would not be subject to taxes and customs duties, as the Russians had wanted.



Palestinians chanting slogans against the new land-for-security deal in a protest Friday at a refugee camp.

ISRAEL: Terrorist Bombing in Jerusalem Halts Peace Accord

Continued from Page 1

the next 12 weeks. It was unclear late Friday whether Israel's decision to suspend ratification of the agreement would simply delay movement on the plan by a few days — which alone would derail the 12-week timetable — or freeze all progress for a longer period.

Mr. Arafat, who condemned the bombing Friday, has already ordered the arrests of scores, possibly hundreds, of activists in the militant Islamic group Hamas, which has carried out terror attacks on Israel in the past.

Speaking in Little Rock, Arkansas, Mr. Clinton said: "When Prime Minister Netanyahu and Chairman Arafat signed the Wye River agreement, they knew they would face this moment. They knew, when they went home, both of them would be under more danger and

that terrorists would target innocent civilians. They knew they would have to muster a lot of courage in their people to stick to the path of peace in the face of repeated acts of provocation."

The question of whether to proceed with peace-making in the face of terror or stop territorial and other concessions has been a focus of bitter partisan debate in Israel.

In the 1996 elections, Mr. Netanyahu criticized the Labor Party then in power for its stated policy of pursuing peace as if there were no terror and fighting terror as if there were no peace. Mr. Netanyahu said he would operate more along the line of carrots and sticks, vowing to break off peace talks in the event of terror attacks.

He had seemed to abandon that stance in the last two weeks, signaling that Israel would meet its commitments un-

der the Wye agreement despite a failed attempt to blow up two buses full of Israeli schoolchildren in the Gaza Strip.

The bomb exploded Friday in the heart of West Jerusalem, just at the entrance to the Mahane Yehuda market, where suicide bombers killed 15 people and injured dozens more in an attack in July 1997.

Witnesses saw the red Fiat drive along Jaffa Road and turn into the mouth of Etz Hayyim, or Tree of Life Street.

It stopped and emitted a series of loud sounds that bystanders thought might be shots or backfires.

Thick dark smoke rose from the car, prompting some people to run for cover, fearing an explosion, and others to move toward it in order to aid the driver. Seconds later, the car exploded.

The force of the blast hurled the bodies of both attackers from the car, leaving one of them cut in two and badly charred.

CELL: Discovery Raises Ethical Issues

Continued from Page 1

and colleagues at the Johns Hopkins University School of Medicine in Baltimore, Maryland. Dr. Thomson's work is reported in this week's issue of *Science*, and Dr. Gearhart's in the *Proceedings of the National Academy of Sciences*.

"It has potential health benefits which I think are extremely promising, and I am sorry that the law prevented us from supporting it," said Dr. Harold Varmus, director of the National Institutes of Health.

After an egg is fertilized it divides several times and forms a blastocyst, a hollow sphere with a blob of 15 to 20 cells, known as the inner cell mass, piled up against one wall. It is from these cells that the embryo develops.

Dr. Thomson grew his embryonic stem cells from the inner cell mass of blastocysts left over from a fertility treatment and due to be discarded. Patients who had undergone fertility treatment donated the blastocysts to be used in research.

As an embryo grows and develops its cells become irreversibly committed to their fates as specialized components of the body's organs. A pocket of cells, known as embryonic germ cells, is protected from the commitment process so as to create the next generation of eggs and sperm. Dr. Gearhart's group has developed embryonic stem cells from the germ cells of aborted fetuses. The cells developed by the two groups may well be equivalent but this has yet to be proved.

If researchers are able to use the cells to grow new tissues, the work could alleviate the shortage of livers and other organs for transplant. Cultures of the cells in the laboratory could be nudged down different developmental pathways to become heart or bone marrow or pancreatic cells. Before reaching their final stages, the about-to-become heart cells, for example, could be injected into a patient's ailing heart. Guided then by the body's own internal regulatory signals, the cells would develop into new, young heart tissue, supplementing or replacing the heart cells already there.

The same approach should in principle work with any tissue of the body. Human embryonic stem cells would thus serve as a universal spare parts system. Because the cells grow and divide indefinitely in culture, very few blastocysts would be needed.

Many technical problems remain to be

resolved. The art of directing embryonic stem cells down specific pathways is in its infancy. But heart muscle cells have been grown from mouse embryonic stem cells and successfully integrated with the heart tissue of a living mouse. Dr. Thomson in 1995 isolated the embryonic stem cells of a monkey, and Geron intends to do pilot experiments in these cells.

Another problem lies in making grafted cells compatible with the patient's immune system. Dr. Thomas Okuma, Geron's vice president for research, said Geron would explore several ways of doing this. One, the least preferred, would be to set up a bank with enough different human embryonic cells that most patients could be matched.

Another would be to suppress the self-recognition genes that make the stem cells appear foreign to the patient's immune system or, more elegantly, to replace them with copies of the patient's own self-recognition genes.

A third approach would be to convert one of the patient's own body cells back to embryonic form by fusing it with a human embryonic stem cell whose own nucleus had been removed. Embryonic cells may have the power, not yet understood, to rescue an adult cell's nucleus from its specialized state by flicking all the switches on its DNA back to default mode. This reprogramming of DNA is presumably what happened when mice were cloned in July from adult cells.

IRAQ: Cohen Ends Tour

Continued from Page 1

the United States did not support a new 11th-hour mission by the UN secretary-general, Kofi Annan, or other diplomats, suggesting that a military response could come swiftly.

"He knows what he needs to do," an administration official said of Mr. Saddam. "He doesn't need any more messages."

The administration and the Pentagon have refused to disclose details of exactly what support Mr. Cohen and his entourage are seeking.

But American and European officials said that Saudi Arabia had, for instance, agreed to let the United States use aircraft based at Prince Sultan Air Base outside Riyadh to support a strike. The officials also said Kuwait and the United Arab Emirates had agreed to allow American planes based in those countries to be used if necessary.

The United States has sharply reduced the size of its forces in the area, from a high of more than 400 aircraft to about 170 aircraft now.

It has also reduced its fleet in the Gulf to 13 warships, led by the aircraft carrier Dwight D. Eisenhower, though it has doubled the number of cruise missiles those ships are carrying.

For a time earlier this year, the United States had two carriers and more than 30 other warships in the region.

But officials at the Pentagon said the forces there could conduct a potent strike against Iraq on a moment's notice.

The United States and Britain have said they would not need additional authorization to use force since previous UN resolutions had already given them. Russia has disagreed, however, and on Friday reiterated its opposition to the use of force.

"We are firmly convinced that any attempts to resolve the problem by force are pointless, because they will only undermine UN efforts to establish effective control over banned military activity in Iraq," the Foreign Ministry said.

Iraq Vows Defiance to UN

Iraq stood firm Friday in the face of the verbal broadside from Mr. Clinton and the unanimous UN Security Council resolution condemning Baghdad's decision to halt cooperation with arms inspectors. Reuters reported from Baghdad.

"America and Britain have imposed a new resolution in order to inflict more harm against the Iraqi people and to prolong the unjust embargo," Abdul-Ghani Abdul-Ghaffar, a senior member of the regional command of the ruling Baath party, said Friday.

Mr. Abdul-Ghaffar said Iraq would not retreat from its decision unless there was a clear response from the Security Council "to Iraq's legitimate demand to lift the unjust embargo."

The UN resolution made formal the outrage expressed by council members Saturday after Iraq shut down the arms monitoring system.

Several council members, however, warned against the use of force against Iraq. Russia's envoy to the UN, Sergei Lavrov, who said that his government had been lobbying Iraq to change its policy, added that the only way out of the impasse was through diplomatic and political means.

Nothing in the resolution Thursday "could be interpreted arbitrarily as a kind of permission to use force," he said.

HYDE: To Speed House Inquiry on Impeachment, Clinton Is Asked to Answer 81 Questions, Some Pointed

Continued from Page 1

poened to testify in that case?" Answering such questions, Mr. Hyde said, would help wrap up the inquiry by the end of the year.

"No one should take these requests as establishing our final conclusions," he said. "Rather, they will simply help us to establish what facts are in dispute and what facts are not."

Gregory Craig, the White House coordinator of impeachment strategy, called Mr. Hyde's questions predictable and said: "I don't think our answers are going to change the dynamics of the inquiry."

"We're going to work our way through it and make a good-faith effort to respond to it in a timely manner, sooner rather than later."

Mr. Craig said the White House reply would probably be made before Nov. 13, when the president leaves on a 10-day visit to Asia.

"At the appropriate time, in the appropriate way, we will say whatever we intend to say," Mr. Clinton asserted before meeting with Democratic congressional leaders at the White House.

"The important thing is that we've got to get back to doing the people's business."

At a news conference in Chicago, Mr. Hyde described the letter to Mr. Clinton as he outlined the schedule for the inquiry against the president.

On Thursday, Mr. Hyde underscored his goal to wrap up the inquiry this year, announcing that the committee would very likely summon only one witness, Mr. Starr, on Nov. 19.

Mr. Hyde also said that assertions from some committee aides on Wednesday that the panel would vote on articles of impeachment by Thanksgiving, Nov. 26, were incorrect.

But the shock waves from Democratic gains in the midterm election Tuesday have injected new doubts and uncer-

tainty into the impeachment process, lawmakers said.

And any alternative to impeachment, like censure, has been complicated by the leadership fight that has broken out among House Republicans in recriminations over the election debacle.

Mr. Hyde said Thursday that the election would have "no significant impact" on the proceedings.

But whether voters intended to or not, the outcome of the election has been widely viewed by many Democrats and Republicans as a referendum on the scope and scale of the impeachment process.

"It certainly doesn't make our job any easier," said Representative Bob Barr, Republican of Georgia and one of Mr. Clinton's fiercest critics on the committee.

"There'll be no impact on what we do on the Judiciary Committee," he said. "But other Republicans' view of impeachment will be colored by political

considerations." In light of public resistance to removing Mr. Clinton from office, the slim Republican majority in the House seems to stand little chance of mustering the 218 votes required for impeachment. The Senate then votes whether to convict.

"Some people are really depressed," a Republican aide said. "It's taken the wind out of our sails."

Democrats seized on their gain of five seats in the House of Representatives and polls of voters that showed Americans' strong desire to end the inquiry now.

Representative John Conyers Jr. of Michigan, the ranking Democrat on the Judiciary Committee, said, "If the election has made clear one thing it is this: The American people do not want President Clinton impeached."

The truncated schedule that Mr. Hyde described would abandon plans to call such central figures as Bruce Lindsey, the presidential aide, and Vernon Jordan, Mr. Clinton's longtime friend

and confidant, although Mr. Hyde said that more witnesses could be added.

Other committee Republicans praised Mr. Hyde's approach. "Bringing in witnesses to refresh testimony that's already concretely in the record would be a waste of time and serve no purpose at all," said Representative George Gekas, Republican of Pennsylvania.

Instead, only Mr. Starr will testify, probably for two days.

He has expressed eagerness to defend his four-year, \$40 million inquiry that critics say has turned into a vendetta against the president.

"He is the center of this inquiry," Mr. Hyde said at his news conference in Chicago. "He's someone everybody wants to hear from, and we're going to give him that opportunity."

Some Democrats want Mr. Starr to testify, to put him on the defensive.

But other Democrats fear that Mr. Starr could make a compelling case against Mr. Clinton.

5 Kosovo Rebels Killed In Clash, Serbs Report

The Associated Press

PRISTINA, Yugoslavia—Five ethnic Albanian guerrillas were killed Friday in a shoot-out with Serbian police, according to a Serbian media statement. It was the highest reported death toll in any clash since an Oct. 12 agreement that established a de facto cease fire.

The details of the killings could not be immediately confirmed, but previous statements about similar clashes have accurately reported the number of casualties.

According to the Serbian-run Media Center in Pristina, a police patrol was attacked Friday morning in southern Kosovo. The police returned fire, killing five of the attackers, who wore uniforms of the Kosovo Liberation Army and were armed with automatic rifles and mortars, the media center. There were no police casualties, the center said.

Two other Albanians were killed Thursday, according to Albanians interviewed in central Kosovo. The police reported that one guerrilla had been killed in a shoot-out near Klinja.

U.S. Envoy Meets With Rebels

The U.S. mediator, Christopher Hill, held talks Friday with senior members of the Kosovo Liberation Army amid mounting pressure for a settlement of the conflict in Kosovo, Reuters reported from Dragobilj, Serbia.

American Academicians Replace GIs in Berlin

By William Drozdiak
Washington Post Service

BERLIN—When the last U.S. troops left Berlin in 1994 after serving as democracy's sentinel for nearly a half-century, many Germans and Americans wondered how a special partnership forged in the days of the Cold War could be sustained for future generations.

In an enlightened attempt to replace those departed U.S. soldiers with a new army of scholars, artists, critics and writers, the American Academy of Berlin was formally inaugurated Friday as part of a privately funded initiative to bolster American influence in the renaissance capital of a reunited Germany.

"We are picking up the torch carried for fifty years by soldiers in a different context," said Henry Kissinger, the German-born immigrant who became U.S. secretary of state and now serves as the academy's honorary chairman. "If this initiative proves as successful for the next fifty years, the whole world will be better off."

The idea of a grand American cultural institution at the heart of Berlin's vibrant intellectual scene was conceived four years ago by the U.S. ambassador at the time, Richard Holbrooke, who has unwaveringly supported the project to his diplomatic chores as special U.S. envoy in the Balkans and his investment banking activities as deputy chairman for Credit Suisse First Boston.

"We wanted to create a living institution, not a monument or museum," Mr. Holbrooke said. "No other country has such unique ties with the United States. We must not let them die out with the wartime generation."

The project assumed greater significance as the U.S. cultural and diplomatic presence in many European countries has been sharply curtailed by budget cuts imposed by the Republican-led Congress. Despite Germany's pivotal influence as the Continent's most powerful nation, the popular U.S. cultural centers known as Amerika Haus have been shut down in four cities.

The German-American partnership in the post-war era was nurtured by common security threats. But since the demise of the Soviet Union, the two countries have experienced a growing estrangement as Germany places higher priority on achieving European unity while the United States has shifted its attention to other hot spots around the world.

At a time when Europe's center of gravity is shifting toward Berlin while Germany embarks on a new era of political leadership and even a new form of money with next year's introduction of a single European currency, Mr. Holbrooke said it was in "America's critical national interest" to maintain an influential cultural profile in the sprawling metropolis that once served as the power base of Hitler's Third Reich.

Berlin's mayor, Eberhard Diepgen, who has led

this year's 50th anniversary celebrations of the Allied airlift that ensured the survival of 2 million Berliners when the Soviet Army cut off ground access to the Western sector, described the academy as an "intellectual bridge" that will link younger generations with no first-hand understanding of the Cold War connection.

The seed money for the academy came in the form of a \$3 million donation from the family of the late Hans Arnold, once a leader of Berlin's financial community and a prominent patron of the 1920s artistic scene. The academy will occupy the 40-room lakeside mansion in which the Arnold family lived before seeking refuge in the United States.

Mr. Arnold's daughter and son-in-law, Annamaria and Stephen Kellen, a prominent couple in New York's cultural and banking community, offered the founding grant when Berlin's city government provided the family mansion on a rent-free basis.

During the four-power occupation of Berlin, the villa served as a recreation center for the U.S. Army before it was turned over to the city.

The first group of eight fellows arrived early this autumn, headed by the playwright Arthur Miller. Others include the poet G.K. Williams, the writer Robert Kaplowitz, the historians Gerald Feldman and Brian Ladd, the legal scholar Kendall Thomas, the drama teacher Gautam Dasgupta and the architectural critic Diana Ketcham.

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Help Mitch's Victims

The most urgent needs are for portable bridges and air transport. Even towns a short distance from major cit-

Israel has its own problems in checking religious and settler violence. But being more politically coherent, Israel is in a better position to contain its outlaws. The authorities should find it easier now that the parties providing cover to the right wing are seen more clearly as obstacles to peace. Israelis know that shootings of West Bank Palestinians by Jewish settlers cut the moral ground out from under Israeli protests against the murder of Jews by Palestinians.

standing of the heavy costs both Israel and the Palestinians must pay to suppress terrorists in their different ranks. But why should there be any easy tolerance of illegal shootings and bombings of any sort? Israel knows the rule of law, though implementation remains incomplete. Palestinians know the rule of law much less well, but must learn it and apply it to secure their national goals.

—THE WASHINGTON POST.

But the constitutional process has to be reckoned with, as does the need, as a matter of the rule of law, for Mr. Clinton to receive a formal rebuke for his recklessness and lying. For that reason, Mr. Hyde's course is a sound way to achieve these goals through a process that meets Mr. Clinton's standard of being "constitutional, fair and expeditious." It will move things along to hear first from Mr. Starr and then let Democrats critical of his prosecutorial methods and the interpretation he has applied to the evi-

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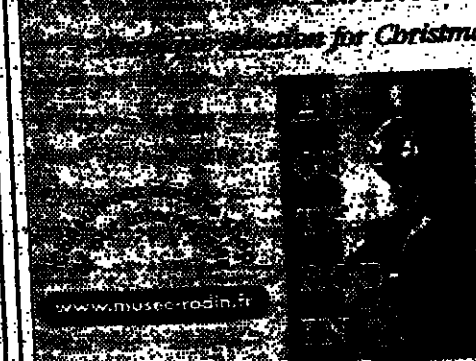
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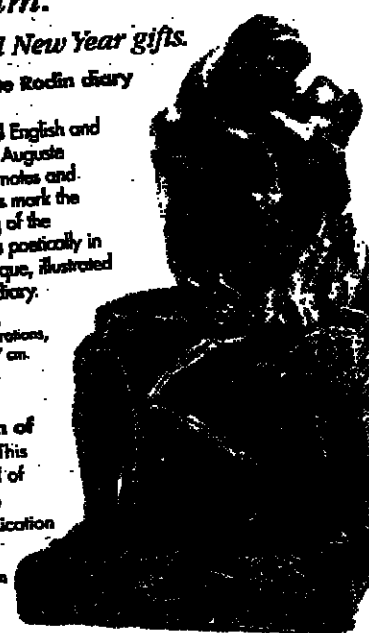
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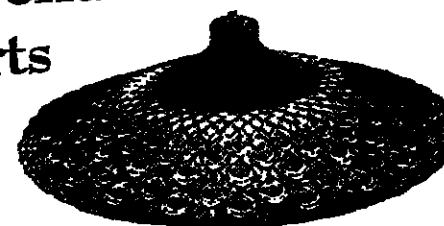
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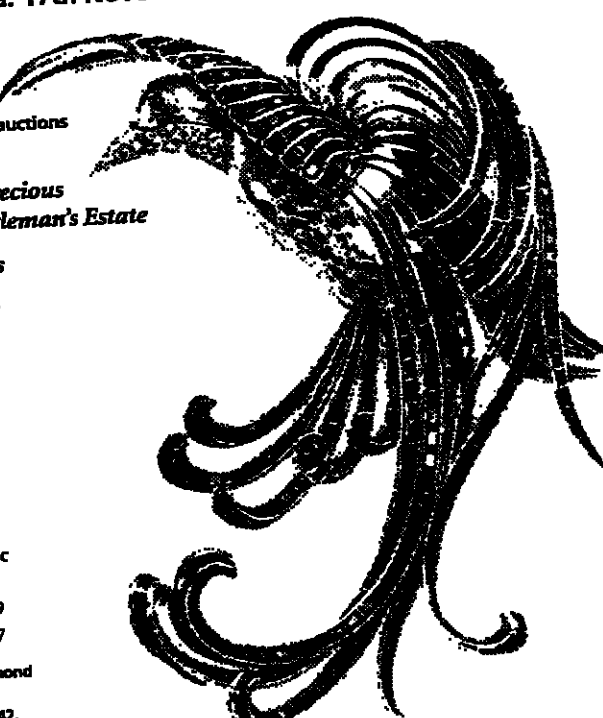
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ART

A Glimpse Into Imperial Memory

Ancient China's Fascination With Treasures of Its Past

By Souren Melikian
International Herald Tribune

PARIS — To be let loose in the Treasure House of China, one of the world's oldest cultures of the world with a continuous historical documented past (the other is Iran), is a perilous privilege. The thought must have crossed the minds of the organizers of "Tresors du Musée National, Taipei," the mammoth exhibition of art treasures from the Chinese imperial collection at the Grand Palais until Jan. 25, as they wondered what kind of a show this was to be.

Eventually, they opted for three exhibitions in one: precious objects from Ancient China; painting and calligraphy; and later objects of art from the 11th to the 18th century. As an afterthought, they threw in a subtitle, "Imperial Memory," and that is actually the theme that grips the visitor.

For the first time, the Western public is given some idea of the fascination with its own past that already possessed the Chinese world when the first records of its history were written down. Forget the Italian Renaissance and its digging for antiquities. Emperor Wudi (A.D. 140-187) of the Han dynasty was already at it 1,200 years earlier.

What Wudi wanted, we read in the catalogue, in a fascinating survey of imperial collecting by Chang Lin-Sheep, deputy director of the National Palace Museum, was bronze vessels from the time of Duke Huan, who had ruled the state of Qi in the seventh century B.C.

An early source states that the bronzes came out of tombs and the collector-emperor turned to literati to authenticate the vessels, of which he had many.

Awareness that some irreparable break in Chinese culture had taken place at an early time haunted the imperial collectors. Pierre Baptiste in his essay on "objets d'art au court" cites this remark

by Emperor Kangxi (1662-1722): "In ancient times these objects were used by man. What did he do with them? Today, we have no way of knowing."

He may have been inspired by the sight of the earliest jade objects from China, as enigmatic today as they were then, even if we now associate them with a specific site, that of Liangzhu, covering a 1,000-year span from 3000 to 2000 B.C. The show opens with some large polished disks with a central opening. They fascinated Emperor Qianlong (1735-1796), who could not resist leaving his imprint on his treasured possessions. On one large disk, vertical columns of ideograms, delicately incised on either side of the opening, reproduce poems and two roundels are carved in sunken relief with characters imitating ancient scripts. The jade disks continued in use for some 2,000 years. At some point, staggered rows of small semi-spherical knobs appeared, each knob engraved with fine motifs. Allusions to these occur in very early poetry, but shed no light on their meaning.

Tall jade vessels of square section with a tubular cavity inside called *cong* (pronounced "tsong") are even more intriguing. They were seen as madly desirable by imperial collectors down to the last century, when a fantastic specimen with rhythmic horizontal bands carved in low relief in dark green jade entered the imperial collection.

So enamored were the Chinese literati of these early objects that their passion triggered a revivalist strain that took off under the Song (960-1278), in the 11th century. In the 13th century, celadon porcelain imitations, of which one is on view here, were being made in the Longquan kilns. The shape is simplified. The strictly geometric pattern omits the highly stylized masks, lightly incised on the early jade pieces.

By the 15th or 16th century, attempts were made to replicate the third to

second millennium B.C. jade originals. Small details, the harsher engraving of the stylized masks, give away their later date. Qianlong owned one of those. He had it fitted with a cloisonné, openwork cover with five circular openings to allow flowers to go through. On the elegant sandalwood pedestal an inscription hails it as a "Han Period Vase" — the emperor apparently believed it was really made between 206 B.C. and A.D. 221.

Bronzes were sought after just as avidly. Huel Chang writes that collecting the ancient ritual vessels was linked with the anxious scrutiny of history, when the empire seemed threatened. The first scientific catalogue of excavated bronzes, as modern art historians understand the notion, was printed in 1092. It lists 224 items both in bronze and jade with reproductions printed in woodcut form. Emperor Huizong (circa 1101-1125) is credited with having owned some 500 vessels. Not surprisingly, the earliest dated imitation of a Shang bronze of the 12th century B.C. was made during his reign in A.D. 1116.

It is in the show, where it can be compared with one of the original type it attempts to emulate — an admirable tripod vessel with raised arching handles. The two are similar and yet worlds apart. The imitator missed the flawless complexity, the tightness, the rhythm of the pattern, the subtle curvature of the profile. Half a dozen of these early bronzes from the imperial collection in Taipei would, by themselves, make this show a must. A wine ewer of the Western Zhou period, probably of the 11th or 10th century B.C., easily overlooked because of the bad lighting, remains unique in the history of Chinese bronze-making with its cover in the form of a coiled dragon. Three stylized masks of a mythical being chiseled on the sides give it a haunting beauty. A shallow bowl on a low ring foot, engraved inside with a bold dragon in the 12th or early 11th century, is famous in the history of Chinese bronzes.



Bronze pouring vessel, circa 10th to 9th century B.C., in the Taipei show at the Grand Palais in Paris.

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Interestingly, the radical aesthetic break reflected in the drastic renewal of shapes, patterns and style that affected Chinese art around the sixth or fifth century B.C., did not dampen the collecting enthusiasm of Qianlong. The emperor owned a cylindrical measure with a long inscription to the name of Wan Man, a usurper king who ruled from A.D. 9 to 28. The august collector must have loved the piece. In a scroll painted by Yao Wenbin in the 1740s or the early 1750s, he is seen seated with his treasure possessions, among which is the measure set on a small table by itself.

Regrettably, the objects of the later periods, in particular the few Song ceramics, do not live up to these high standards. None of the great specimens of *dingyao*, those admirable wares decorated on an ivory slip with engraved floral patterns, nor the best Northern celadon vessels of the 12th century, nor the finest Song *jumyao* with purple splashes on lavender blue came to Paris.

The same is true of paintings and calligraphies that, with rare exceptions, hardly do justice to the Taipei collection. Sadly those few that do are so dimly lit that it is hard to find comfort in the contemplation of the sublime art of Song China.

The weighty catalogue is like the

show, important and not entirely adequate. There is no index, not even a glossary, despite the frequent use of Chinese words in Latin script. A listing of the works is supplied — in Chinese. The main inscriptions engraved on Qianlong's archaic objects are reproduced in Chinese only. In the entries, all translated from Chinese, some sentences are incomprehensible, others in ungrammatical French. A few spell out historical inaccuracies. (No, the Safavid dynasty did not "rule over the empire of the Tirmids," and *Hindustan* does not just "refer to present day Northern India.") The book, full of unpublished information, should not be missed. Neither, alas, can it be consulted without caution.

Foundations for Japanese Life

By Naomi Pollock

TOKYO — Like their counterparts in the West, most married couples in Japan long to have a home of their own. Yet, despite the country's overall affluence and growing internationalization, official estimates indicate that some 15 percent of couples nationwide are sticking to the traditional custom of living with their parents or in-laws under one roof.

In the process, a number of architects in Japan are finding work designing multigeneration houses that enable two or three generations to live close enough that the miso soup won't get cold but far enough apart to maintain some autonomy for everybody.

Among architects it is a well-known fact that houses are the most difficult buildings to design because their rooms must perform several functions and satisfy very specific client needs. And the multigeneration house, which must satisfy multiple wish lists, can be even more challenging.

Because of the complex demands, most families have no choice but to build a new home, either on an undeveloped lot or in place of an existing house which will be torn down — a common practice in Japan's major cities where construction costs are relatively low compared to land prices. But thanks to the general disregard for context in Japan, where few buildings are built to last more than a few decades, most sites are treated as blank slates and are limited only by the site plot and building code restrictions. Throw it all together and the resulting homes are frequently very innovative.

Effectively they asked me to combine two private residences in one house," explained the architect Jun Aoki, who recently designed a new house in suburban Tokyo for the interiorist Yasuhiro Ochiai and his mother.

Aoki achieved his goal with the creative use of stairs and corridors that enable him to nestle the mother's second-floor home within her son's without any need for shared spaces.

Aoki even went so far as to provide separate though connected entrances for the two homes since the mother prefers to distance herself from her daughter-in-law's active social life.

Yet even though they have no common rooms, the mother's unit will overlook, and thereby maintain a visual connection with, her children and grandchildren's plant-filled sunroom when the house is completed next year.

Another by-product of Aoki's scheme is that it allows major rooms in both homes to enjoy the site's river views while editing out the busy street in front of the house. But equally important was a flexible layout that will enable the two units to be reshuffled when the family constellation changes.

Indeed the two homes can be easily joined or his mother's home can be recast as a small clinic where Ochiai could see patients practically in the comfort of his own home. Flexible space was also one of the driving forces behind the house that architect Makoto Motokura designed for the Chikada family.

Although Reiko Chikada had lived with her in-laws for all her married life, when it came time to rebuild the family's 40-year-old homestead in Sugamo, a quiet residential neighborhood in northern Tokyo, no one gave serious thought to parting ways. Instead they decided to tear down the old home and replace it with a new one that could easily accommodate family change but also provide more privacy for everyone.

Completed in 1993, the three-story house is divided vertically into two independent dwellings linked by a shared entry foyer at street level and terraces at each floor above. A small garden at the back is like a natural extension to the senior Chikada's ground-floor living

room but also serves as a buffer between the two homes.

Although the two households can go for days without direct contact, the precise placement of walls and windows provides for plenty of visual contact. By glancing out of her second floor living room's picture window, Reiko can see her father-in-law working in the garden and rest assured that all is well.

Should her in-laws' physical needs change in the future, the two houses can easily be reconfigured to accommodate wheelchairs or walkers. And by incorporating connecting terraces at each level, the two units can be combined and/or sliced horizontally by floor to create a barrier-free apartment at street level.

While multigeneration living may seem anathema to Westerners, extended families in Japan have worked the fields and lived side by side for centuries. This custom declined greatly after World War II, however, as agriculture diminished and white-collared "salarymen" increased, resulting in a breakdown of the typical extended family, especially in major cities.

"In the past, the house or family was more important than the individual," Motokura said. But now families have a more independent vision of themselves vis-à-vis their families.

Nonetheless many are being drawn back into or are staying in the fold thanks to land prices in major cities, which remain exorbitantly high, making homeownership within the city limits out of reach for many.

For others, social concerns, such as the need to care for aging parents or the desire for built-in daycare as the number of working mothers rises, are behind their decision to live at home. By adapting the traditional living style Japanese architects are allowing many modern families to have their cake and eat it too.

Naomi Pollock is an architect who writes about design in Japan.

From Garage to Gallery: The Evolution of Chelsea

By Michael Kimmelman
New York Times Service

NEW YORK — The other day, an artist who will remain anonymous for obvious reasons told me she was worried about her forthcoming show, not because the work was causing her more than the usual anxiety but because her gallery happens not to be in Chelsea.

Unfortunately, I knew what she meant. At last count, around 60 galleries had colonized the area roughly between 17th Street and 27th Street on the far West Side of Manhattan. Dealers there are ecstatic.

I spent a couple of days recently making the rounds of the neighborhood. I liked Chelsea very much when it first started to develop as the un-Soho, but now, though I still want to like it, I'm not so sure.

Why? It's not the art. The art is simply what it is, location notwithstanding, and the time around, for instance, I got a kick out of Nayland Blake's gingerbread house at Matthew Marks and James Welling's photographs at Leslie Tonkonow. There were also Sue Williams' new paintings at 303 Gallery to see, and Louise Fishman's at Cheim & Reid.

It was just three years ago that only a

handful of galleries existed among Chelsea's taxi garages. When you went to see them, or to see the Dia Center for the Arts, which was already there and a kind of magnet to the area, you were probably making a minor pilgrimage.

This was part of its attraction: People went there specifically to look at art, as was no longer the case in SoHo, and moreover they were going to a place that seemed to evoke something of SoHo's former character because it was largely industrial.

SoHo's virtue was that its growth was organic and bottom up. It was an architecture of airy cast-iron lofts. Artists moved in because the spaces were cheap and practical. Then galleries followed. The archetypal gallery was Leo Castelli's, at 420 West Broadway, which resembled an artist's loft. In SoHo, dealers were mostly in plain sight, and the ambient aim, even if it increasingly wasn't achieved, was to be informal and accessible.

In Chelsea, the evolution has roughly been reversed. It is an architecture of storage facilities and garages, less easily adaptable to art. There are artist studios in the area, but it is not, nor was it ever, where many artists lived. The new galleries arrived pretty much ex nihilo, the first ones mostly belonging to high-enders like Matthew

Marks, Barbara Gladstone, Paula Cooper and Metro Pictures.

Marks's gallery on 22d Street, in a converted single-story garage with skylights, turned out to be a spare and handsome place with a big window on the street that makes the art inside visible from outside, a friendly arrangement roughly mimicked by the new Postmasters, with a glass storefront on 18th Street.

But most galleries here are chilly and turn inward. The spaces feel antiseptic, awkward. They tend to speak of money: Dealers too often opt to be out of sight, with offices on a separate floor. Sometimes the architecture is grand — Paula Cooper's gallery is stunning to look at — but so grand that the architecture can overwhelm the art.

Andrea Rosen's gallery on 24th Street exemplifies the problem. It is like a mausoleum, tall and windowless, with a hallway to an office in the back, the office blocked from view by a giant file cabinet so that, like a child, anyone with a question about what's on view must stand on tiptoes to talk to the 20-somethings who work there.

SoHo is passé. Chelsea, having become chic, has already been dined by a number of SoHo's school galleries. It is now closer in character to 57th Street as a center for the business of art.

SHOCK THERAPY By Fred Piscop

- ACROSS
- Disagreeable sort
 - Smelly waste
 - "Shank" in prison lingo
 - Ernest's capital
 - Colosseo site
 - Word with rush or credit
 - Rock's Motley
 - Conked
 - Valhalla V.L.P.
 - Functioning in all respects
 - Headie
 - Not at sea
 - Break a tie in a shocking way?
 - Came after
 - 1995 earthquake site
 - Occupational
 - Apr. addressee
 - Speaker of note
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 - 80's-70's Italian P.M.
 - Prov. east of New Brunswick
 - 101 Apr. addressee
 - Speaker of note
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Mitsubishi Motors Plans Global Restructuring to Repair Earnings

TOKYO—Mitsubishi Motors Corp. announced a global restructuring drive Friday that will include major job cuts in the United States and Thailand, factory closures in Japan and a steep reduction in production.

The fourth-biggest carmaker in Japan announced the restructuring along with a first-half loss, its first since listing shares on the Tokyo Stock Exchange in 1988.

Mitsubishi will lay off 1,000 workers at subsidiaries in Illinois and California, which now employ 5,100 workers, as well as 1,200 of its 4,000 employees in Thailand, said Kazuhiko Kawasaki, the president of the company. It also will close its Maruho truck transmission factory near Tokyo.

The automaker also will reduce the number of models it produces by 40 percent.

The cuts come after the company

reported a loss of 18.3 billion yen (\$156 million) before taxes in the six months to Sept. 30. That reverses a profit of 17.5 billion yen a year ago. The figures are for the parent company only, and do not include subsidiaries or gains or losses on investments.

Revenue in the period fell to 1.11 trillion yen from 1.32 trillion yen.

Mitsubishi, which analysts say relies on Japan and the rest of Asia for the majority of its sales, has watched sales plunge as the region lingers in recession. Worse, Mitsubishi's market share in the United States has fallen from a peak of 1.5 percent in 1994 to 1.2 percent now as vehicles such as its midsize Galant sedan lose out to Toyota Motor Corp.'s Camry, the best-selling car in the United States last year.

"I can't understand how a company can keep on bleeding so much money," said Peter Boardman, an auto analyst at

Warburg Dillon Read in Tokyo. "They need some drastic changes."

Mitsubishi's shares closed 5 yen lower at 250 on the Tokyo Stock Exchange. Shares have fallen 30 percent

Japan's government doubts impact of stimulus program. Page 15.

since April 1, the start of Japan's financial year.

The company said it expected to lose another 9 billion yen in the year through March.

In Japan, Mitsubishi's market share has fallen to 10.1 percent now from a peak of 11.9 percent in 1995, government figures show. Analysts blame the company's failure to meet growing demand for sport-utility vehicles and wagons.

Like Nissan Motor Co., which also expects to report a half-year loss when it

announces results Tuesday, analysts said Mitsubishi offered too many models that car buyers did not want.

Whereas Honda Motor Co. maintains healthy profit margins by relying on one or two high-volume models like the midsize Accord sedan and the Civic, a compact, Mitsubishi's vast line-up of vehicles — including heavy-duty trucks, passenger cars and minivans — keeps its costs high. A minivan has less than half the engine power of an average compact car.

Mitsubishi and Nissan are not alone in their struggle to post profits. Many of Japan's once-vaunted manufacturers, battered by recession at home and financial crises across Asia, posted losses for the six months to Sept. 30.

The list of casualties ranges from Toshiba Corp. to Nippon Steel Corp., the very same companies that helped build Japan into the world's second-

biggest economy from the ruins of World War II.

Their reversal of fortune lays bare the shortcomings of a management style that was long the envy of Western companies with its focus on building market share and rewarding corporate loyalty.

"Japanese corporate problems have stemmed from a cultural belief in the longer-term horizon," said Tim Julien, a fund manager at Mercantile Mutual Investments. "Somehow, profitability got lost in the formula for success."

As some 2,000 companies prepare to report earnings over the next three weeks, the early profit numbers suggest that the year through March may be the worst since the early 1970s, when surging oil prices threw Japan into recession.

How Japan copes with these losses will help determine whether Asian economies can sustain an economic recovery that has helped bolster their cur-

rencies and lower interest rates in recent weeks.

"The Japanese economy and the world economy are in communion right now. They're pressing in on us," said Akira Chihaya, president of Nippon Steel.

Still, many Japanese manufacturers are still renowned for their world-beating products and technological prowess.

Canon Inc.'s exports of laser printers, copiers and cameras put it on course for a third straight year of record earnings. Japan also dominates the world market for video games, thanks to Sony Corp.'s PlayStation and Nintendo Co.'s Nintendo 64 and GameBoy machines.

But the grim earnings results and equally gloom economic statistics are further indications Japan will not grow much before 2000 and that conditions may get tougher before they improve. (Bloomberg, AP)

Routine Business in Colombia: Threats and Violence

By Diana Jean Schemo
New York Times Service

BOGOTA—The note was scrawled on a scrap of paper and thrust at a truck driver for a U.S. oil company stopped on a rebel-held highway in the eastern plains of Colombia recently.

"Please do us the favor of coming to talk to us, so we can reach agreements allowing you to work without problems," the note said.

The company passed the extortion demand. Executives at the multinational, who asked that the company not be identified, said they did not give in to insurgents, but ordered the company's drivers to skirt the area by taking other roads.

The company was able to alter its routes and still conduct business, said Enrique Uribe, head of a committee of security chiefs for U.S. multinationals operating in Colombia. "Not everybody can," he added.

A Colombian soft drink manufacturer, defying similar demands from the insurgents, saw 54 of its trucks burned. In September, the rebels kidnapped three of the company's drivers and executed one to put pressure on the company. "If they give up a road, they lose a market," Mr. Uribe said.

Although the new government of Andres Pastrana is seeking peace talks with the country's three rebel movements in an effort to end three decades of civil war, Colombia remains one of the riskiest places in the world to do business. Threats to foreigners come from random street crimes, kidnappers, extortion, vandalism and sudden road blocks thrown up by rebel factions vying for power.

Half of all the reported kidnappings in the world happen in Colombia; 806 occurred in the first six months of this year and 1,693 last year, according to the Presidential Anti-Kidnapping Office. In 1996, more than 26,000 people were murdered in Colombia.

While the central government holds Bogota and the larger cities, the countryside is fragmenting into a collection of fiefdoms controlled by rebels or by right-wing paramilitaries that terrorize

Ranking Corruption

The 10 least and 10 most corrupt countries, according to a 1998 survey of executives. A score of 10 represents a corruption-free country.

RANK	SCORE
1 Denmark	10.0
2 Finland	9.6
3 Sweden	9.5
4 New Zealand	9.4
5 Iceland	9.3
6 Canada	9.2
7 Singapore	9.1
8 Netherlands	9.0
9 Norway	9.0
10 Switzerland	8.8
11 United States	7.5
12 Russia	2.4
13 Ecuador	2.3
14 Venezuela	2.3
15 Indonesia	2.0
16 Nigeria	1.9
17 Tanzania	1.9
18 Honduras	1.7
19 Paraguay	1.5
20 Cameroon	1.4

Source: Transparency International

peasants, often in collusion with army officers and the police. Foreign businesses are particularly vulnerable to kidnappings and extortion and kick-back demands from the rebels. Security costs, which average 4 percent of a company's operating costs in the rest of the developing world, can run up to 10 percent here, security experts and company executives say.

Despite the limitations and risks, a variety of U.S. companies have opened offices and factories in Colombia, particularly since the country acted in the early 1990s to lower trade barriers and

otherwise open the economy to foreign investment. They include Occidental Petroleum Corp., Procter & Gamble Co., Colgate-Palmolive Co., Kellogg Co., Du Pont Co. and Citigroup.

Some businesses have left, but those that stay in Colombia have learned to protect their interests. To discourage kidnappings, they employ Colombian executives and use local contractors. They hire such multinational security services as Control Risks Group and Defense Systems Ltd., both based in London; Ackerman Security, and the Kroll-O'Garra Co., in New York, to tailor or security packages for their executives, installations and trade secrets.

Insurance companies, sometimes working directly with protection services, often demand strict security precautions from U.S. executives in Colombia, said Joseph Fimmin, head of the American Chamber of Commerce here. One insisted that not only an oil company president but also his wife use bodyguards and armored cars.

The security services also analyze the risks of doing business with a given Colombian company, perusing court records for potential legal or tax problems. Earlier this fall, Kroll-O'Garra bought a factory for making armored cars in Colombia, said Bruce Gossin, a managing director of the company's office in Miami.

"Because of security worries, foreigners largely confine themselves to a small, safe piece of this grimy, bustling city. They take apartments on the upper floors instead of houses, and only in the priciest neighborhoods. They vary routes, switch vehicles and vet maids, nannies and gardeners thoroughly. And they fly, rather than drive, if they must leave Bogota."

Oil companies pay a special war tax to the government, and they contract with the Defense Ministry for special army platoons to protect oil exploration and production sites or dangerous highways. As threats to their business escalate, foreign companies are sharing security information and tightening their lines of communication with

See COLOMBIA, Page 15



Paramilitary troops in the countryside have come to be seen as almost an equal threat to Colombia's stability as the rebels they are fighting.

HIGH-RISK AREAS	MEDIUM-RISK AREAS
EXTREME: War-like situation; little or no effective protection	HIGH MEDIUM: Widespread organized crime; careful security planning is necessary
VERY HIGH: Political environment volatile, with frequent attacks	MEDIUM: Widespread street crime, above average health risks
HIGH: Daily threats, requiring extensive security efforts	

Source: Kroll-O'Garra

Japan Sets A New Low With Rates

By Sheryl WuDunn
New York Times Service

TOKYO—Japanese interest rates were already the lowest that any country had ever recorded in history, and they had seemed so minuscule that it would be impossible for them to go lower.

But they have: Interest rates are now dancing into negative territory. In other words, a depositor putting yen in the bank could in theory pay interest instead of earning interest.

Likewise, some people who bought Japanese government bills this week earned a negative interest rate. They are buying short-term bills for more money than they will be redeemable for in the future, meaning that they are paying for the privilege of holding bonds.

Economists say that this situation is pretty much unprecedented. Until recently, the historically lowest government bond interest rates had been in 1619 in Genoa, now Italy.

"We've basically never seen this before," said William Campbell, a strategist at J.P. Morgan in Tokyo. "It's a mystery," said Jeffrey Young, an economist at Salomon Smith Barney in Tokyo. "It's symptomatic of radical pessimism of the economy."

It is a sign of pessimism because the only investments some investors want are government bonds, the safest ones in the country. It also means that there is so much yen around that some banks, most of them foreign, are willing to pay someone to take it off their hands.

In various countries, bank depositors have occasionally earned negative real interest rates, meaning that the interest rate they earned was less than the inflation rate. But this is different and much more rare: the nominal interest rate is negative.

This is an exceptional situation even in Japan, and the average citizen who

See YEN, Page 15

Double Trouble for U.S. Bond Buyers

NEW YORK—A new supply of U.S. Treasury bonds just as investors are beginning to lose hope that the Federal Reserve Board will cut interest rates combined to drive yields on the securities sharply higher Friday.

The yield on the new benchmark 30-year bond, which was sold Thursday as part of the Treasury's quarterly refunding, rose to 5.38 percent Friday from the 5.30 percent at which it was sold. That is the highest yield since Aug. 26. The price, which moves inversely to the yield, fell 1/32 point to close at 98 2/32.

Bond yields have now climbed 69 basis points since touching a record low in early October.

The Treasury sold \$38 billion of new

Treasury bonds and notes this week, and the sales met with tepid demand. The new government supply was competing with about \$3 billion in corporate debt issued Thursday. About \$5.6 billion more in corporate debt offerings are planned for next week.

"The demand wasn't there" for the new government issues, said Joel Kent, economist at Lehman Brothers Inc.

In addition to the glut of new bonds, investor demand was dampened by comments on Thursday from Alan Greenspan, the chairman of the Federal Reserve Board.

Mr. Greenspan said that investors and lenders appeared to be calming down after the fright thrown into them by global financial turmoil, suggesting that the central bank is less concerned than a

few weeks ago that a credit squeeze could derail the economy.

While reassuring, the comments were interpreted on Wall Street to mean the Fed might see less need to cut interest rates again at its next policy meeting Nov. 17.

"When there's a question about the Fed's next step, buyers are a little more reluctant," said Closson Vaughan, a fund manager at Columbia Partners LLC.

Mr. Greenspan's remarks also suggested that the bond market was less likely to see demand from international investors seeking a haven from financial turmoil elsewhere.

During the late summer and early fall, investors around the world rushed away from all but the safest securities and also

See MARKETS, Page 12

CURRENCY & INTEREST RATES

Cross Rates	Nov. 6	Libor-Libor Rates	Nov. 6
Australia	1.0000	1-month	5.50%
Belgium	1.0000	3-month	5.50%
Canada	1.0000	6-month	5.50%
France	1.0000	1-year	5.50%
Germany	1.0000	1-month	5.50%
Italy	1.0000	3-month	5.50%
Japan	1.0000	6-month	5.50%
Netherlands	1.0000	1-year	5.50%
Spain	1.0000	1-month	5.50%
Sweden	1.0000	3-month	5.50%
Switzerland	1.0000	6-month	5.50%
UK	1.0000	1-year	5.50%
US	1.0000	1-month	5.50%
Other Dollar Values			
Argentina	1.0000		
Brazil	1.0000		
Canada	1.0000		
France	1.0000		
Germany	1.0000		
Italy	1.0000		
Japan	1.0000		
Netherlands	1.0000		
Spain	1.0000		
Sweden	1.0000		
Switzerland	1.0000		
UK	1.0000		
US	1.0000		
Forward Rates			
Canada	1.0000		
France	1.0000		
Germany	1.0000		
Italy	1.0000		
Japan	1.0000		
Netherlands	1.0000		
Spain	1.0000		
Sweden	1.0000		
Switzerland	1.0000		
UK	1.0000		
US	1.0000		

The 2,600 most traded stocks of the day.
 Nationwide prices not reflecting late trades elsewhere.
 The Associated Press.

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Continued on Page 18

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Saint-Germain-des-Prés's latest residents are fashion's big names.

PARIS Throughout its long history and many identity changes, Paris's Saint-Germain-des-Prés quarter has always retained its special appeal. At various times, the area has been a pastoral setting for a monastery, a chic suburb for the rich and noble, a hotbed of revolutionary conspirators, a hangout for American expatriate writers and intellectuals, a center for left-wing philosophers and bohemians.

Even today, on a Saturday afternoon with shoppers thronging, tourists gawking and cars honking, the visitor has only to look up at the simple tower of the ancient Church of Saint-Germain-des-Prés to feel the magic.

As early as the eighth century, the neighborhood was dominated by a Benedictine abbey surrounded by extensive farmlands. The construction of the still-standing

church began in the 10th century, making use of the new Romanesque style of architecture. Two of its three towers were destroyed in the 19th century, leaving behind the bell tower that today defines the neighborhood's skyline.

Bit by bit, the abbey buildings were destroyed by the ravages of the French Revolution. Baron Haussmann's 19th-century urban-renewal project, during which the Boulevard Saint-Germain and the Rue de Rennes were cut through the neighborhood, and various other modern depredations. The church and its vestiges are all that remain today. The church interior is worth seeing for the 19th-century murals by Hippolyte Flandrin with themes from the Old and New Testaments.

Behind the church is a little haven of peace in this busy quarter, the Place de Furstenberg, site of the Musée Eugène Delacroix,

the former studio and apartment of the great French painter.

Notable buildings in the neighborhood include the Institut de France, a handsome 17th-century semicircular building that faces the Louvre across the Seine. This is where the five French academies meet, including the Académie Française, which compiles the official French dictionary. The Institut is also home to the lovely wood-paneled Bibliothèque Mazarine. The courtyard of the famous Ecole des Beaux-Arts, known for the antics of its art students, can be seen from the Rue Bonaparte.

While many of the neighborhood's landmarks are still grouped around the church at the intersection of the Boulevard Saint-Germain and the Rue Bonaparte—the Café de Flore, Les Deux Magots, the Brasserie Lipp and La Hune bookstore—the area today is taking on a new look.

While art galleries, chic



little boutiques, bookstores and pricey antique shops have long lined the side streets and French designers Yves Saint Laurent and Sonia

Rykiel have been in the neighborhood for some time. The latest wave of newcomers includes some of the biggest names in international fashion.

Emporio Armani has a brand-new showcase boutique right on the corner, and a Christian Dior boutique has taken over a bookstore next to the church. Facing the church is a Louis Vuitton store, and Cartier has set up shop on the other side of the boulevard.

Another kind of commerce thrives in the colorful and lively market area around the Rue de Buci, where the locals do their food shopping and stop for a drink in one of the bustling cafés. Flower stalls, vegetable stands, supermarkets, bakeries, a fishmonger, butcher, cheese store and wine shop provide all the necessities of life in France.

Saint-Germain-des-Prés also has a high concentration of movie theaters and jazz

clubs, catering to two of Parisians' favorite pastimes. Most of the cinemas are grouped around the Carrefour de l'Odéon, while jazz clubs can be found around the Rue Saint-Benoit. Big international names appear regularly at La Villa on the Rue Jacob.

To the dismay of many residents, who have formed a neighborhood association called SOS Saint-Germain, the luxury retail invasion continues in Saint-Germain-

des-Prés, but Paris's *gauche caviar* (well-off leftists) and literary and cinema stars can still be found in the cafés grumbling about the changes to the neighborhood.

Much has changed since Jean-Paul Sartre, Simone de Beauvoir, Albert Camus and Ernest Hemingway sat writing for hours over a coffee in the cafés, but at least the cafés are still there, albeit with somewhat inflated prices. H.E.

THE MARAIS MIXES OLD AND NEW

Besides nightlife and Sunday shopping, the quarter also has some of Paris's finest 17th-century mansions.

PARIS Steeped in history, the narrow, picturesque streets that make up Paris's Marais neighborhood on the Right Bank are home to a number of striking contrasts. The old is represented by the ancient stone town houses where nobles and aristocrats once lived; the new by the dozens of trendy boutiques. Tradition can be found in the synagogues and on the Rue de Rosiers, where the Jewish community still congregates on Sundays and the bakeries and delis sell kosher foods. A more modern way of life is evident in the area's lively nightlife, while there has been an explosion in the number of gay bars and shops, the area also has many popular hangouts for straights.

The Marais can lay claim to what is probably the loveliest square in the city, if not the world: the Place des Vosges. Originally the site of a royal park, then of a horse market, the square acquired the stately arched brick buildings that surround it at the beginning of the 17th century at the instigation of Henri IV.

On Sundays, the Place des Vosges throngs with strolling bourgeois families and the nearby streets, especially the Rue des Francs Bourgeois, are full of shoppers taking advantage

of the many clothing and home decor boutiques that open their doors on Sunday, when most of the city's commerce shuts down.

The Marais's greatest treasures are its magnificent *hôtels particuliers*, the mansions once inhabited by the nobles surrounding the royal court, which was moved from Paris to Versailles by Louis XIV. Many of them have been beautifully restored and are now museums.

Visitors should not miss the 17th-century Hôtel de Sully, located between the Place des Vosges and the Rue de Rivoli, if only to see its two lovely courtyards and the painted wood-beam ceiling of the bookstore.

The 17th-century Hôtel Carnavalet, once the home of the prolific letter writer and overbearing mother Madame de Sévigné, is now home to the Museum of History of the City of Paris.

The blessedly crowd-free Musée Cognac-Jay contains a collection of 18th-century art, housed in the restored Hôtel Donon.

The best-known of the Marais's museums-in-a-mansion is, of course, the Musée Picasso, a must-visit for lovers of the master's work, located in the impressively restored Hôtel Salé.

A relative newcomer to the Marais's museum population is the Musée Européenne de la Photographie, situated in a renovated *hôtel particulier* with a handsome modern addition. The museum holds notable photography exhibitions.

The crooked streets and courtyards between the Rue des Jardins-Saint-Paul, Rue Charlemagne, Rue Saint-Paul and Rue de l'Ave-Maria are home to small antique shops, many of them specializing in Art Deco and 1950s kitsch. Four times a year, antique markets are held in the connecting courtyards.

H.E.

CHAMPS-ÉLYSÉES

Continued from page 15

gourmet restaurant Ledoyen is tucked away among the trees.

This part of the avenue is now used for occasional outdoor exhibitions like the recent show of vintage and modern airplanes.

Just off the avenue are the Grand Palais and Petit Palais art museums. An exposition of the works of 16th-century Italian painter Lorenzo Lotto runs to Jan. 11 at the Grand Palais.

The other end of the long sweep of the avenue is marked by the portal of the Arc de Triomphe, still a symbol of Paris, and a magnet for visitors. Climb the stairs to the top for a good view of the

city and to appreciate the long unbroken line from the Louvre in the center of Paris to the Grande Arche at La Défense in the western suburbs.

When you take your promenade on the newly fashionable Champs-Élysées, don't forget to look up at the handsome buildings remarked upon by Baedeker. *Plus ça change...*

Heidi Ellison

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THE FISHING CAT AND THE SINGING MARKET

PARIS The ancient university center of Paris, where Dante lectured to students seated on straw in the streets and where Latin was the obligatory lingua franca, today has a rather contradictory character. Sandwich shops cater to the Sorbonne students who fill the streets by day, and cheap retail outlets line the Boulevard Saint-Michel, but behind the quarter's graceful facades is some of the city's most expensive housing. Paris Mayor Jean Tiberi lives there, as did the late President François Mitterrand.

Tourists love the crooked medieval streets with evocative names like Le Chat Qui Pêche (the Fishing Cat), but the Latin Quarter has many additional charms. Quiet streets like the Rue Lhomond could be in a French country village, and the Rue Mouffette is one of the city's liveliest food markets, especially on Sunday morning, when the locals turn out in force and the streets ring with the sound of accordion music and shoppers belting out *chansons françaises*.

The Luxembourg Gardens and the Jardin des Plantes, home to the recently renovated Museum of Natural History, provide welcome havens in a bustling city.

Other not-to-be-missed museums include the National Museum of the Middle Ages, a Gothic mansion built on Roman baths whose remains are visible to visitors. Better known as the Cluny, it is home to the famous "The Lady and the Unicorn" tapestries.

The Institut du Monde Arabe is also worth a visit for its innovative modern architecture by Jean Nouvel, its collections of Arabic art and the splendid view of the Seine from its rooftop café and restaurant.

H.E.

PARIS - QUARTIER LATIN

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QUIET ELEGANCE IN KENSINGTON

Imperial mansions line the leafy streets.

LONDON With its tree-lined avenues of Georgian and early Victorian houses, mansions and cottages, Kensington combines quiet elegance with some of London's best shopping and dining. A good starting point is South Kensington, where a short walk from the underground station up Exhibition Road takes you past cafés and restaurants to the museums area.

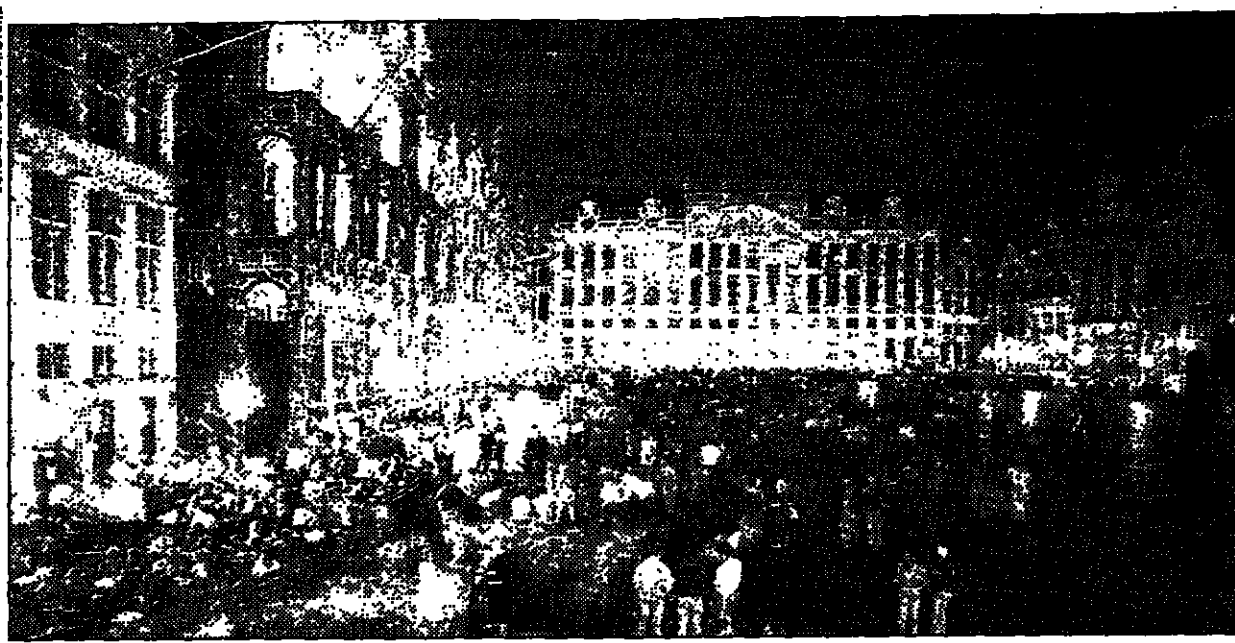
At the intersection with Cromwell Road you have a wide choice, including the Victoria and Albert Museum's 146 galleries containing unrivaled collections of art and design from 3000 B.C. to the present day. A special

exhibition of the British illustrator Aubrey Beardsley's strange and exquisite fin-de-siècle drawings runs until mid-January.

Continuing north along Exhibition Road, you cross Kensington Gore and pass through the Alexandra Gate into Hyde Park, with Kensington Gardens on your left, and the Long Water lake, or Serpentine, on your right.

From the gardens, you can view the magnificent, ornate gold-leafed Prince Albert Memorial, built in 1876 — and recently restored at a cost of \$11 million — to commemorate the achievements of Britain's imperial age and the husband of Queen Victoria. Continuing through the Gardens, you reach the Broad Walk and Kensington

CHARMING NEIGHBORHOODS IN EUROPE



Take a tour through some of the most delightful neighborhoods of three European capitals, from London's aristocratic Kensington and Mayfair (left: Kensington Palace) to Brussels's enchanting Grand Place (center) and Paris's glittering boulevards and medieval lanes (right: the Champs-Élysées; facing page: the Port des Arts and the Institut de France in Saint-Germain-des-Près).



CHRISTMAS IN THE HEART OF BRUSSELS

The city's Grand Place and Sablon neighborhood go all out for the holidays.

BRUSSELS With its town hall framed by gabled buildings, Brussels's Grand Place is particularly bewitching on a crisp winter's evening, when floodlights and Christmas lights transform it into an extravagant theater, and its cafés offer blazing fires and rich beer.

The Christmas market (Dec. 4-13) revives the tradition of the medieval fair. The market has stalls from many European countries, offering a taste of their Christmas traditions, as well as crafts from all over Belgium. Colored Christmas lanterns, fine Belgian lace, hand-crafted wooden toys, stained glass and fine art are a few of the offerings from the many stalls. To stave off the chill, others offer mulled wine and steaming sausages

or waffles and Belgian beer. Embodying charm and chic, and only a stone's throw from the Grand Place, is a district with real magic. Fine architecture, fabulous food, lively markets and the ultimate in designer boutiques and antique shops are all within strolling distance.

The Avenue de la Toison d'Or, which runs along the course of the ancient city walls, together with the adjoining Avenue Louise, is the perfect place for window-shopping. Along these tree-lined boulevards, Louis Vuitton and Hermès stand proudly beside Pierre Cardin and Versace. Behind the facades lie shopping galleries and winding alleys of pristine boutiques.

Dominating the end of Avenue Louise is the colossal Palais de Justice, appropriately built on a former ex-

ecution site. With entrance free, the interior is certainly worth a visit.

The Palais stands on a hill with a view of much of Brussels. At its foot is the Marolles district and the Place du Grand Sablon. The area's sandy marsh was drained in the 17th century, and the wealthy of Brussels built their homes here. Enough of the gabled houses remain to give the square an elegant charm, with art galleries and antique shops — some in winding alleys and courtyards behind the houses — cafés and restaurants.

Nowhere is prettier than the Sablon at Christmas, when the trees are lit with

tiny white lights. Each holiday season, an evening Nocturne du Sablon sees musical entertainment, shops open late and stalls selling mulled wine and food. During this year's event, held on Nov. 26-28, the last concert of celebrated Belgian singer Jacques Brel will be shown on a huge screen.

The adjacent area of the Marolles district, with its terraced cottages in narrow cobbled streets, is becoming both chic and trendy. Two parallel streets, Rue Haute and Rue Blaise, which are crisscrossed with shops, lead down to a teaming brocante or flea market.

David Thomas

CHAMPS-ÉLYSÉES GETS A MAKEOVER

Promenades have become a pleasure again.

PARIS The 1900 edition of "Baedeker's Paris and Its Environs" had this to say about the Champs-Élysées: "This magnificent avenue, flanked with handsome buildings, is one of the most fashionable promenades in Paris, especially in the afternoon, when numerous carriages, riders and pedestrians are on their way to and from the Bois de Boulogne."

A century later, the Champs-Élysées is still a magnificent avenue flanked with handsome buildings, but in recent times it had become more of a promenade for tourists, pickup artists and pickpockets than for the fashionable people. Natives avoided it except to attend its numerous movie theaters.

That situation has changed dramatically since the city of Paris stepped in and refurbished the avenue a few years ago. The sidewalks are now widened to accommodate the throngs of promenaders and are now lined with a double row of trees. Parked cars have been banned.

Now that precedence has been given to pedestrians rather than to cars, retailers have begun to take a new interest in the Champs, in turn attracting a new type of visitor: young people, curious locals, chic shoppers and, of course, more tourists.

Megastores One of the first new businesses to move in, long before the avenue's renovation, was the Virgin Megastore, which took over a former bank, retaining the original handsome, sweeping staircase and making the former vault part of the bookshop.

With its trendy top-floor restaurant, large stocks of discs and books, and late opening hours, it quickly became a popular attraction.

Once the avenue had been jazzed up, other stores followed Virgin's example. Sephora, a purveyor of perfumes and cosmetics, opened its own megastore, a vast emporium where the youthful staff, dressed in designer black with one black glove à la Michael Jackson, offers smiling service.

With its wide range of products, bookshop, changing exhibits and free Internet access, Sephora is a shining example of a modern retail success, a nice contrast to the Old World atmosphere and impeccable service of the venerable Guerlain perfume shop nearby, which sells only the company's own products.

Now FNAC, the French music and book chain, has opened a large branch on the Champs, and Ladurée, the chic tearoom famous for its luscious macarons and other pastries, has installed a shop on the south side of the avenue.

Shooting off the Champs-Élysées is the ritzy Avenue Montaigne, where many of the top fashion houses like Dior, Christian Lacroix, Chanel, Louis Vuitton, Jil Sander, to name just a few, have boutiques.

Continued on page 17

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Palace — the work of Sir Christopher Wren. The Palace's State Apartments are open to the public and from Nov. 18 — as part of the two-week festival "Asian Art in London" — will feature "China Mania," a reconstruction of King William and Queen Mary's Porcelain Gallery built in 1693.

Kensington Palace Gardens, on the west side of the Palace, is a tree-lined avenue containing some 30 stately mansions, many of them built between 1844 and 1860. Once known as "Millionaires' Row," the street has now become home to embassies. No. 2 on Palace Green, which currently houses the Israeli embassy, was designed by the architect Frederick Herring for the British novelist and author of "Vanity Fair," William Thackeray.

Continuing west, you come to Kensington High Street, with its wide choice of antique shops and eateries.

Proceeding north, you reach Notting Hill Gate, an area favored by film producers, art dealers and media personalities with a wide choice of galleries and street markets.

To the east, along Bayswater Road, the railings bordering Hyde Park to Victoria Gate are hung with a huge array of paintings, watercolors and photographs for sale on Sunday mornings. Off Bayswater Road, Queensway is a popular haunt for tourists from around the world seeking food from home — American, Lebanese, Italian, Japanese and Thai, to name just a few of the kinds of restaurants available.

Pamela Ann Smith

"CHARMING NEIGHBORHOODS IN EUROPE"
was produced in its entirety by the Advertising Department of the International Herald Tribune.
WRITERS: Heidi Ellison in Paris, Pamela Ann Smith in London and David Thomas in Brussels.
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HIGH SOCIETY IN MAYFAIR

LONDON The center of high society from the 1700s on, Mayfair remains the aristocratic heart of London, typified by the Duke of Wellington's residence, Apsley House, at Hyde Park Corner. The area of fields and farms bordering the park and running north of Piccadilly to Oxford Street was first developed in the 18th century by the Duke of Grosvenor to cater to the provincial nobility seeking urban residences close to Buckingham Palace. Apsley House still houses the Iron Duke's famous collection of paintings — by Goya, Velázquez and Rubens — within its chandeliered interiors.

On the way to Piccadilly Circus, it's impossible not to notice the liveried doorman at the Ritz. Afternoon tea in the exquisite Palm Court requires booking months in advance, but it's often possible to have tea in the lobby — just opposite the Court — at a moment's notice.

At the Royal Academy of Arts in Burlington House, further along Piccadilly, you can collect a wide range of postcards, books, posters, gifts, ceramics and textiles inspired by artists such as Constable, Chagall and Dame Elizabeth Frink, and view its bewildering display of permanent collections.

Running north from Piccadilly is Old Bond Street, dating from the late 17th century. It leads into New Bond Street, the site of world-class designer boutiques such as Donna Karan, Calvin Klein, Ralph Lauren and Prada.

To the south of Piccadilly, in St. James's, lie the private clubs and gentlemen's tailors, as well as a host of specialist antique shops.

P.A.S.

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Taking Stock With an Eye on Value in the Post-Exuberance Era

By Sharon Reier

"A stock does not become a sound investment merely because it can be bought at close to its asset value. The investor should demand, in addition, a satisfactory ratio of earnings to price, a sufficiently strong financial position and the prospect that its earnings will at least be maintained over the years."

— Benjamin Graham, "The Intelligent Investor"

INVESTORS WHO have grown uncomfortable with what seems to be a resurgence of irrational exuberance in the big North American and West European stock markets may still be able to find compelling reasons if they search the globe using the precepts of value investing.

Value investing is one of two ways to approach stocks. The idea is to look for shares trading at prices below those justified by their issuers' assets or earnings or sales or some other measure of worth.

The opposite theory is growth investing, in which potential stock purchasers do not worry about where a company is, but focus on where it is going. A growth stock may be expensive relative to the company's current earnings, but the price reflects optimism that profits will rise.

Until July, optimism was pervasive in the developed markets of the West. Since then, however, the outlook for global economic growth has weakened, and with it the prospects for stocks of companies that were hoping for big rises in profits. This has naturally focused attention on value investing, and the corrections in stock prices over the summer have created opportunities for buying shares on the cheap.

Most recently, shares on the diminutive Vienna Stock Exchange had modest price-to-book ratios of about 1.5 and price-to-earnings ratios of 10, while elsewhere in Europe levels of 2.5 times book value and more than 20 times earnings are common. Austria has the kind of valuations that might have brought a gleam to the eye of the late Benjamin Graham, author of "The Intelligent Investor."

Mr. Graham was a professor at Columbia University, and his theories profoundly influenced Warren Buffett, one of today's foremost proponents of value investing.

Why is Austria so undervalued when most of the rest of the world's developed markets are up in orbit? Other markets were still climbing to their July highs as investors turned skittish on Austria in June, according to Wolfgang Pinner, chief strategist for CAIB Investment Bank, a subsidiary of Bank of Austria.

As investors recognized signs of impending catastrophe in Russia, the Austrian traded index fell to 1,207 from 1,463 in August. It is now about 30 percent below its recent high of 1,628.56 on May 26.

"A lot of people from the United States and the U.K. viewed this market as Eastern European, and with the Russian crisis, it seemed unattractive," Mr. Pinner said. But he said 65 percent to 70 percent of Austria's exports are to Western Europe. Only 10 percent go to the East, mostly to the Czech Republic, Hungary, Poland and Slovenia, countries planning to join the European Union.

Austria will adopt the single European currency, the euro, in January, which, Mr. Pinner, believes may change investor perceptions. In the meantime, he concluded, Austria remains "very much undervalued."

SPECIFICALLY, Mr. Pinner sees undervaluation in stocks like Flughafen Wien AG, the privatized airport authority that sells at 20 to 30 percent below such European counterparts as BAA PLC, Copenhagen Lufthaven A/S and Aeroporti di Roma SpA. VA Technologie AG, a heavy-construction company, is selling at 11 times estimated 1999 operating earnings, a discount to competitors such as the Swedish-Swiss ABB Asea Brown Boveri Ltd., whose two halves fetch about 15 times forward profit, and Siemens AG, currently trading above 22 times earnings.

He also recommended the Austrian oil company OMV AG, which at 10 times next year's expected earnings is a bargain when compared with such competitors as Repsol SA of Spain (trading at 15 times earnings), Eni Nazionale Idrocarburi SpA of Italy (15) and Elf Aquitaine SA of France (21).

The price-to-earnings ratio is a popular measure of value, and investors can see P/E ratios for the most recent four quarters in newspaper stock listings. There are, however, other valuation gauges, such as the value of a company's assets minus its debt.

But a stock can be inexpensive relative to its book value yet not be a good buy if it cannot use those assets to generate earnings. That is why although stocks on many Asian markets these days are selling at below book value, they are not considered especially attractive, since there is little prospect of earnings growth.

"If you are in difficult markets — if the economy is in a protracted difficult period — you have little earnings visibility," said Otto Wasser, head of research for Bank Julius Baer in Zurich. "You have to value companies differ-

ently. In Asia, the long-term outlook for earnings is very difficult to assess. Japan is not the screaming buy that some people are trying to tell us."

In the United States, in the 1930s, he said, "the overall turnaround didn't occur until stocks were way below book during the middle of the Great Depression." The rest of Asia, he added, had to be approached "like a turnaround situation."

"And for many companies, we don't have good faith in the way the book value is calculated," Mr. Wasser said.

Since correct valuation is based on a stock's price relative to earnings, the necessity of having a fairly accurate picture of future earnings growth is essential. That is why securities analysts spend so much time estimating companies' earnings and why they are paid such high salaries to do so.

A solid earnings outlook ensures the ability to pay a dividend. Mr. Graham did not believe a variation in payout percentages were significant. But he wanted to see a history of continuous dividends without interruption. Paradoxically, in boom times on the stock markets, many shares reach astronomical prices without a whiff of earnings or a dividend — witness the surge in Internet stocks in the United States.

WHILE markets tend to overreact and underreact in a manic-depressive fashion, value investing, said Oliver Kamm, head of strategic research for Commerzbank Global Equities, "is based on the assumption that at some point there is a reversion to the mean."

Value investors look to buy stocks in a market's depressive phases, when good companies can be bought for prices that are below their intrinsic value.

How does an investor determine whether a market is undervalued?

Citigroup Inc.'s Salomon Smith Barney Inc. unit produces a monthly Global Investment Outlook that includes a comparison of valuation measures in 22 developed countries. Its author, Leila Heckman, said the ratios in developed countries were not comparable to those in emerging markets, hence the separate valuations.

Global Investment Outlook uses five criteria to establish the valuation of different markets: price-to-book ratio; price-to-earnings ratio based on the previous 12 months' earnings; the P/E ratio based on an estimate for the coming year's earnings; 10-year average P/E ratios; and the difference between real short-term interest rates and a stock's earnings yield.

For the last measure, earnings yield is simply the reciprocal of the price-to-earnings ratio, a useful way to compare per-share profitability with bond yields. For instance, the current earnings yield on U.S. stocks is about 3.8 percent, while one-month interest rates adjusted for 1.7 percent annual inflation are at about 2.2 percent. That gives stocks a 1.6-percentage-point advantage.

Other analysts who compare earnings yields to interest rates use different approaches. Many express the figure as a ratio, dividing the interest rate by the earnings yield so that a result of less than 1 means stocks are attractively priced. Some use the yields on three-year or 10-year bonds, and many use nominal rather than inflation-adjusted interest rates.

As evaluated by Salomon Smith Barney, the earnings-yield gap on the stocks in the Austrian ATX index is 314

Stock Valuations by Country

	Price-to-book ratio		Trailing price-to-earnings ratio		1999 Forecast P/E		10-Year Avg P/E		Earnings yield gap* (in basis point)	
	Oct.	Sept.	Oct.	Sept.	Nov.	Oct.	Oct.	Sept.	Nov.	Oct.
U.S.	4.2	4.2	25	25	19	18	18	18	163	170
Canada	1.9	1.9	18	18	15	15	21	21	45	91
Japan	1.7	1.7	106	106	36	35	54	54	-6	31
Australia	2.0	2.0	19	19	14	14	15	15	57	52
Hong Kong	1.2	1.2	9	9	11	8	13	13	247	738
New Zealand	1.3	1.3	13	13	12	12	13	13	-49	440
Singapore	1.0	1.0	12	12	16	12	20	20	218	394
Austria	1.5	1.5	10	10	11	11	31	31	314	710
Belgium	2.7	2.7	21	21	18	18	14	14	177	231
Denmark	2.4	2.4	19	19	14	14	26	26	148	214
Finland	3.5	3.5	30	30	14	12	23	23	299	114
France	2.1	2.1	23	23	18	17	18	18	143	177
Germany	2.7	2.7	25	25	18	19	21	21	111	147
Ireland	3.9	3.9	20	20	12	11	14	14	499	178
Italy	2.4	2.4	23	23	19	18	22	22	218	132
Netherlands	2.7	2.7	21	21	17	15	14	14	445	354
Norway	1.4	1.4	13	13	9	9	17	17	226	215
Portugal	3.1	3.1	23	23	18	16	15	15	394	309
Spain	2.5	2.5	25	25	18	17	14	14	220	131
Sweden	2.7	2.7	20	20	16	14	18	18	11	56
Switzerland	4.1	4.1	20	20	17	16	18	18	310	382
U.K.	3.5	3.5	18	18	16	15	15	15	154	181
Average	2.5	2.5	23	23	16	15	20	20	197	248

* Earnings yield minus national inflation-adjusted short-term interest rates. A large number means stocks have high earnings levels relative to interest rates.

Source: Salomon Smith Barney

basis points. That means the earnings yield on stocks is 3.14 percentage points above the inflation-adjusted, short-term interest rates in Austria.

Looking at that gap, one European investment professional initially called Austria a "screaming buy." But then he amended his view, saying the country was an "interesting add-on" to a portfolio. The reason for this downgrade derives from Vienna's comparatively low liquidity. After all, the valuation of the entire ATX is a mere 400 billion Austrian schillings (\$35.4 billion). The entire market is worth \$35 billion to \$40 billion. Should several large pension or mutual funds walk into the market, the valuations could swing quickly.

Many European markets are attractive values on the basis of the earnings yield gap. Mr. Pinner noted that the German market had an 80 to 85 percent earnings-yield ratio (or a 114 basis-point yield above short-term rates, according to Salomon Smith Barney).

Mr. Wasser of Bank Julius Baer recommended the Dutch market, with an earnings-yield gap of 445 basis points, and France, which has a gap of 143 basis points.

On the basis of price-to-book value, Vienna is also cheap. It sells at only 1.5 times book. That compares with an average of 2.5 times book value for the 22 countries in the Salomon Smith Barney universe, with the U.S. stock market selling at the top of the range at 4.2 times book value. Switzerland is running slightly behind, at 4.1, down from an exuberant 5 times book value the previous month.

To put this in perspective, Mr. Graham suggested that "defensive investors" seek companies with P/E ratios no higher than 15 and price-to-book ratios of 1.5.

In recent years, some analysts have suggested that rising productivity and low interest rates justify looser standards than Mr. Graham's.

Still, with P/E ratios at rich levels

compared with historical norms, you might wonder why many markets seem to be moving inexorably higher.

Investment professionals weigh different valuation criteria differently. But many share the perspective of Commerzbank's Mr. Kamm.

"The valuation measure that makes most intuitive sense is to assess equities yield relative to the bond yield," he

said. Mr. Graham grappled with this issue when he analyzed the stock market in 1972. Conditions then were the opposite of what they are today. Back then, the three-year P/E ratio for the S&P 500 was lower than it had been at year-end 1963 or 1968.

"This important indicator taken by itself," he wrote, "could not be construed to indicate that the market was especially high in January 1972. But when the interest yield on high-grade bonds is brought into the picture, the implication becomes much less favorable. Our final judgment is that the adverse change in the bond-yield/stock-yield ratio fully offsets the better price ratio for late 1971... Hence our view of the early 1972 market level would...be unattractive."

BUT MR. GRAHAM realized that all the ratios in the world could not create an exact science. Paraphrasing Aristotle, he wrote: "It is the mark of an educated mind to expect that amount of exactness which the nature of the particular subject admits. It is equally unreasonable to accept merely probable conclusions from a mathematician and to demand strict demonstrations from an orator."

"The work of a financial analyst," concluded Mr. Graham, "falls somewhere in the middle."

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• BCI INDEX SELECTION-AUSTRIA is an offshore mutual fund. Banager Global Investors (London) Ltd. Telephone: 44 171 668 8000.

• CALLANDER FUND-AUSTRIA is an offshore mutual fund. Callander Telephone: 33 1 53 13 10.

• VIENNA STOCK EXCHANGE. Web site: www.vse.at; index.html (English); www.vse.at (German).

• WEBS-AUSTRIA are listed on the New York Stock Exchange under the ticker symbol EWO. They attempt to track the performance of the Morgan Stanley Capital International Austria Index.

VALUE INVESTING

• "THE INTELLIGENT INVESTOR: A Book of Practical Wisdom" by Benjamin Graham. 340 pages. \$30. HarperCollins.

• LEON MASON FOCUS TRUSTFUND, a mutual fund run by Robert Mason based on the methodology of Warren Buffett. Telephone: 1 610 293 6490, or, toll-free in the United States, 1 800 577 8390. Mr. Mason is also the author of "The Warren Buffett Way" (2002) published by John Wiley & Sons.

Panels Scheduled For The Two-Day Conference Include:

- The International Petroleum Industry And The Challenges Of The Brave New World Of Petroleum. A Panel Discussion With Chief Executives
- The Price Outlook For 1999: What Can Be Forecast?
- Energy: The Supply Gap And The Commercialization Of The Business
- The Environment: Finding Market Solutions
- Managing The Oil Market: Lessons Of 1998
- The Producing Countries And The Challenges For 1999
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November 17-18, 1998
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THE BRAVE NEW WORLD OF MARKET FORCES: CRISES AND OPPORTUNITIES FOR INTERNATIONAL OIL AND GAS

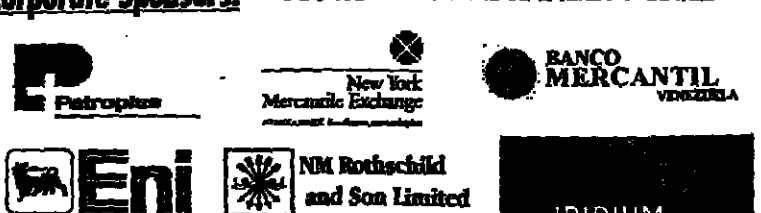
This two-day executive conference will provide a platform for open debate — both among speakers and attendees — over issues of politics, geopolitics, and finance. Discussions by high-level company and government officials will focus on the Middle East, with a sectoral emphasis on emerging markets.

Confirmed Speakers Include:

- | | |
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| H.E. Saud al-Nassir al-Sabah, Minister of Petroleum, Kuwait | Pierre Jungels, CEO, Enterprise Oil |
| Wayne W. Allen, Chairman & CEO, Phillips Petroleum Co. | Adrian Lajoux, Director-General, Pemex |
| Emad Baird, Chairman & CEO, Schlumberger | Robert Magnire, Managing Director, Morgan Stanley Dean Witter |
| Franco Bernabe, Managing Director & CEO, ENI | Christophe de Margerie, President, Total Middle East |
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THE MONEY REPORT

Good Buy or Bad? The Premiums of Equity Risk as a Measure of Worth

By Conrad de Aenle

AS SHARE PRICES in Europe and the United States hit peak after peak earlier this year, analysts maintained that the advance was justified because stocks were undervalued. But the question remained: undervalued compared to what?

Not traditional benchmarks like earnings, dividends and the value of companies' assets. By those measures, stocks cost more than they ever had, and even after the subsequent decline, they were closer to levels that were high by historical standards, not low.

Stocks seemed to be cheap in relation to bonds, the pundits contended, based on a mathematical device called the implied equity-risk premium that has been used for decades but that has been in vogue especially during the last two or three years.

Stocks over the long run have been more profitable investments than bonds; this is as it should be, because owning stocks is a riskier proposition. Holders of bonds issued by sound governments or corporations will almost definitely receive interest payments at a rate determined when the bonds were purchased and get all of their investments back when the obligations mature. With stocks, by contrast, dividend payments are left up to corporate boards and are easily cut when financial difficulties arise, and stocks sometimes become worthless.

Another advantage to bonds is that should problems become insurmountable and a company fail, shareholders must get in line behind bondholders to recoup any assets.

Probably more important to most investors is the fact that stocks trade more easily than bonds, and investors feel they deserve a greater return for the added volatility. Otherwise, what is the point of suffering the ups and downs?

"The idea is that equity investors ought to require some compensation for the excess risk they assume, compared to bond investors," said Mark Howdle,

a strategist in London for Salomon Smith Barney Inc. "Over periods of time, they tend to achieve an excess return. The argument is that it is appropriate to expect it in future."

How excessive the return is that investors demand for stocks is used by analysts to judge whether stocks are cheaper or pricier than bonds. The rationale is that if investors are playing hard to get, requiring a return for stocks that is much higher than it usually is, then compared with bond returns, then stocks are a good buy. The reverse — a small risk premium — suggests that they are expensive.

The risk premium is typically figured by adding a stock market's dividend yield to projections for earnings growth for the next several years, then subtracting the benchmark government-bond yield.

Say you foresee annual inflation for the next five years of 0 to 2 percent, an average of 1 percent. Bond investors are usually comfortable with an inflation-adjusted return of 3 percent a year, which means you would expect a 4 percent annual yield for bonds during the five years. Now, say that stocks are yielding 2 percent and that you expect corporate earnings to grow by 7 percent a year. The risk premium is (2 + 7) - 4, or 5 percent, which is close to the historical average for many markets.

All you need to know is the level of interest rates and corporate earnings, not just tomorrow or for the next quarter, but for the next five years, as well as the relative volatility of stocks and bonds, and you can judge how much greater the return should be for stocks than for bonds. Of course, if you could predict those key numbers with accuracy over a prolonged period, you would not need the formula and you would probably have even Warren Buffett seeking your advice.

That is one of the problems inherent in the risk-premium notion. Couching it in a formula gives it a sense of objectivity, scientific precision, but the components in the calculation are difficult to predict and the way the resulting number is interpreted is subject to bias.

Market Earnings Valuation, 1997-1999

Earnings-per-share growth and price-earnings estimates in major European market indexes

Market (Index)	Index	1997	1998	1999	1997	1998	1999	P/E	P/E	P/E
Austria	ATX	74	78	79	6%	2%	15.0	14.2	12.9	
Belgium	BEL-20	145	142	145	-2%	2%	21.9	22.4	21.9	
Denmark	KFX	11	12	12	3%	-1%	17.5	16.9	17.1	
Finland	HEX-20	208	240	232	16%	-4%	18.8	16.3	16.9	
France	CAC	149	155	164	4%	6%	23.4	22.5	21.3	
Germany	DAX	165	182	190	10%	4%	27.5	24.9	23.9	
Ireland	ISEQ	211	234	237	11%	1%	20.3	18.3	19.1	
Italy	MIB-30	1102	1215	1309	10%	8%	26.3	23.9	22.1	
Netherlands	AEX	44	46	47	5%	3%	22.4	21.3	20.6	
Norway	OSL-28	47	40	41	-14%	2%	10.9	12.7	12.5	
Portugal	BVL-30	188	209	217	11%	4%	24.0	21.6	20.8	
Spain	IBEX	365	392	419	7%	7%	23.4	21.6	20.4	
Sweden	OMX	34	33	33	-2%	0%	17.7	18.0	18.0	
Switzerland	SMI	251	264	281	5%	6%	25.5	24.3	22.8	
U.K.	FTSE	269	289	282	0%	5%	19.7	19.7	18.8	
Eurozone	FT/S&P	3	4	4	7%	4%	26.1	24.3	21.8	
Europe ex-U.K.	FT/S&P	11	12	12	6%	5%	24.3	22.8	21.8	
Europe	FT/S&P	13	13	14	5%	5%	22.6	21.6	20.6	

Source: Salomon Smith Barney estimates

Peter Canelo, a strategist at the investment bank Morgan Stanley Dean Witter, points out that fair value for the Standard & Poor's 500 index of American blue chips would be 914, about 20 percent below its present level, if the component companies in the index were to post combined operating earnings of \$48 per share next year and if government bonds were to yield 6 percent. But if earnings are \$54 and yields tumble to 4.5 percent, an outcome just as reasonable given today's economic cir-

cumstances, fair value for the index would be 1,357, or 30 percent higher than it is. Then there is the question of how large the risk premium should be. At the summer top, the U.S. market did not look cheap, no matter what numbers were plugged into the formula. Rather than concede that, some analysts decided that the proper risk premium, which had been 4 percent for many years and then reduced to 2 percent, should in fact be 0.

The argument went that since stocks generally outperform bonds, there

should be no premium. But Elroy Dimson, a professor of finance at London Business School, explained the fallacy of such reasoning: The risk premium, by definition, reaches zero at the point where expected returns on stocks and bonds are equal. The anticipated out-performance vanishes, and investors are not compensated for the added risk.

Mr. Canelo of Morgan Stanley uses a 2 percent premium in his calculations and calls it "probably quite conservative, since there is strong evidence from historical studies that the volatility of stock returns has only been about 1 percent greater than that of bond returns since the late 1970s."

Looking at Mr. Canelo's calculations from a different perspective, using current bond yields and assumptions about earnings that look reasonable for the moment, the U.S. market has a 2 percent risk premium, in line with norms of the last couple of decades, making stocks appear fairly valued.

Far more risk is implied in prices of European equities, Mr. Howdle said. Based on Salomon's interest-rate forecasts — which show little change in most markets — and 1999 earnings-growth projections that range from a loss of 4 percent to growth of 8 percent in the various countries, the risk premiums are 3.3 percent to 4.9 percent. The market factoring in the most risk, and therefore theoretically most undervalued, is Austria. At the other end of the spectrum is Belgium.

Risk premiums are difficult to figure in regions where bond markets are poorly developed.

"In many Asian countries, the bulk of the debt outstanding is denominated in U.S. dollars, yen or some other currency," said Jeff Usher, editor of Grant's Asia Observer. "It probably does not make much sense to calculate risk premia across different currencies."

"I spent all of my career as a stockbroker in Japan dealing with equities," he added. "I really had no idea about what was going on in the bond department and vice versa. I know a lot of people use earnings yield, the inverse of the P/E ratio, to calculate a yield for equities, but, while I understand the logic behind this, I have always found it to be suspect."

So is the available information about corporate earnings, which makes risk

premiums difficult to figure, as does the fact that in Asia and other developing markets, economic and financial life is more volatile than elsewhere.

"Such analysis only works when there is a degree of stability in rates, currencies, economies, earnings, etc.," said Hugh Young, managing director of Aberdeen Asset Management Asia. In the markets he follows, he said, "there is precious little, if any," such stability.

Also, for Japan and the rest of Asia, he continued, consumer and asset prices are generally falling fast, so real interest rates have, if anything, risen during the last month or two, or for years for Japan.

Bonds are attractive in a deflationary economy because the value of money, which is what bonds represent, goes up while financial assets such as stocks see their worth eroded. Also, while nominal bond yields may decline, their real — in this case, deflation-adjusted — yields often increase because prices of goods and services are falling. So the principal of the bond can buy more things at maturity than it did at issue, the reverse of the usual case, where inflation saps its purchasing power.

Risk-premium calculations are ineffective in a market on the edge of a deflationary abyss because bond yields tend to fall in anticipation, making premiums seem high and stocks undervalued at precisely the wrong time. This may have happened in Western markets last summer. It will remain an open question as long as the possibility of deflation remains, although investors who have pushed share prices up in the last few weeks evidently have decided that the threat has receded.

Mr. Howdle said that he did not expect deflation and that present high risk premiums reveal true value in stocks. Still, with their various shortcomings — not least the susceptibility to imprudent tweaking — he advised examining risk premiums only as part of a broader analytical regime.

"If you've got a tool that can give you a wide range of values, don't try to use it too precisely," he said. "Put it in context. If other people misused this to argue a bullish case in the past, that's their problem. If you're an investor, you can't delude yourself. You have to keep a level head."

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THE MONEY REPORT

Newsletters: All the Tips Aren't Fit to Follow

BRIEF CASE

Finding Value In Tech Stocks

Not only do stock valuations vary from country to country, as noted elsewhere in this section, but from industry to industry, as well.

Gary Schieneman, an accountant who works for Merrill Lynch & Co. in New York, said in a study this week that price-to-earnings ratios are not an appropriate way to evaluate technology companies. This is probably a good thing for investors interested in the sector, because

an international look at 32 companies in the software, hardware, semiconductor and telecommunications industries found stocks trading at a price 31 times estimated 1998 earnings, based on Oct. 15 data.

Merrill prefers to look at the price/earnings ratio relative to earnings growth in valuing technology companies. Mr. Schieneman contended that this gives a better picture than the commonly used alternative for cross-border calculations, measuring enterprise value against cash flow.

Enterprise value measures a company's stock-market capitalization plus its outstanding debt and preferred stock minus its cash on hand, while cash flow is earnings before interest, taxes, depreciation and amortization. Mr. Schieneman said technology companies generally had little or no debt, decreasing the numerator in the equation and thus making the companies seem expensive.

Earnings growth in high-tech companies has been spectacular, an annual rate of 42 percent from 1993 to 1997. That is expected to decline to 14 percent for the 1997 to 1999 time span, although semiconductor companies are seen dragging the average down. Removing the chip-makers, tech companies are expected to show 20 percent earnings growth in the three-year period.

Comparing current P/E ratios to expected earnings growth and using other valuation criteria, Merrill came up with a list of five cheap and five expensive technology companies.

The bargains Merrill found were Hewlett-Packard Co., STMicroelectronics NV, Kyocera Corp., Computer Associates Inc. and Sun Microsystems Inc.

On the other hand, Microsoft Corp. was considered the most expensive of the stocks studied, followed by Taiwan Semiconductor Manufacturing Co., Dell Computer Corp., Lucent Technologies Inc. and SAP AG.

From Morningstar, Tokyo Fund Ratings

Morningstar, Inc., the Chicago-based fund research group, is on the march overseas. Its new Tokyo operation, owned jointly by Softbank, the Japanese publisher and software distributor, has introduced its first product, described as "Morningstar in Japanese on Japanese funds," according to Stephanie Kerch, a company spokeswoman.

The offering is an expanded version of Fund Investor, Morningstar's monthly newsletter for American investors, rather than the thick binder of individual fund reports that has a wide following in the United States. But the methodology will be "the same third-party, unbiased approach of fund analysis with the Morningstar brand name," Ms. Kerch said. That includes Morningstar's popular star ratings for funds, with five stars the top rank. Initially, the product will be directed to the Japanese financial community, rather than individual investors.

The Japanese venture is not the first foray abroad for Morningstar. It shut down a British venture a few years ago after encountering regulatory difficulties.

But several other countries are now under consideration, and, according to Ms. Kerch, that could well include a second attempt at an operation in London.

(IHT)

INVESTORS NEED all the help they can get — which is why so many of them turn to financial newsletters.

Unfortunately, newsletters are not much good at picking stocks. "Over all," concludes a new study by the National Bureau of Economic Research in Cambridge, Massachusetts, "there is no evidence of superior stock-selection skill by newsletters, either over the short or long horizons."

But newsletters have their uses. The best can draw your attention to undervalued or neglected stocks. They can also provide excellent advice on allocating assets among stocks, bonds and cash and help you keep your head when others are losing theirs.

Still, the vast majority of newsletters — many of them high-priced — are a waste of time and money, or worse. A favorite newsletter tactic is to scare the hell out of you. You are more apt to keep subscribing if you think the world is coming to an end and only Newsletter X can save you.

The NBER research was conducted by Andrew Metrick of Harvard University using data collected on 153 newsletters by the Hulbert Financial Digest, a superb newsletter, edited by Mark Hulbert, which has been dispassionately tracking the performance of other letters for 17 years.

Mr. Metrick found what Hulbert readers already know: Religiously purchasing the choices of the vast majority of newsletters, usually expressed in what the editors call "model portfolios," will not make you any more money than buying an index mutual fund or throwing darts at a newspaper's stock charts and buying those shares.

Mr. Metrick also found newsletter editors do not develop "hot hands." In other words, a strategy of buying the best recent performers "does not earn positive abnormal returns."

Only one newsletter of the 29 survivors that Hulbert has tracked over the past 15 years has beaten the Wilshire 5000 index, a benchmark composed of virtually all U.S. stocks. That newsletter, The Chartist, published by Dan Sullivan, returned an annual average of 15.9 percent while

the Wilshire returned 14.7 percent. In second place, Investor's World returned only 12.2 percent.

Over the past five years, only two out of 105 newsletters beat the Wilshire. They were the deliciously titled Prudent Speculator and All-Star Funds.

The Prudent Speculator, edited by Al Frank, has returned an annual average of 19.4 percent, well above the Wilshire's 16.1 percent. All-Star Funds returned 17.3 percent. A third newsletter, Fundline, tied the Wilshire. Why do most newsletters fare so poorly? The main problem is that they

trade 46 percent below its May high at a price-to-earnings (P/E) ratio of just 9, and New Plan Excel Realty Trust, a real estate investment trust that owns shopping centers and apartments and pays an 8.6 percent dividend.

Another letter whose market timing you can ignore but whose stocks are enlightening is Dow Theory Forecasts, whose issues often focus on screened lists, such as stocks that have low P/E ratios but high growth, or themes, such as undervalued transportation stocks. But, according to Hulbert, adhering to Dow Theory's stock portfolios has

\$1.05 over the past 12 months for a P/E of 14, and Mr. Frank believes "1999 operating earnings should be in the \$2.50 a share range." That would put the P/E at less than 6.

As for The Chartist's selections, they are generally unsurprising large caps. Top portfolio holding is Microsoft Corp. Worth noting are All-benson's Inc., the well-run retail food-drug chain; PECO Energy Inc., a Pennsylvania utility benefiting from deregulation; and Yahoo Inc., the Internet search engine, or "portal," as these prime sites are now called.

Two of my favorite newsletters do not offer model portfolios:

The Dick Davis Digest, which is actually edited by Steven Halpern, is a compendium of well-chosen excerpts from other newsletters — 46 of them in the most recent issue. There's always a spotlight stock; on Nov. 2, it was the satellite leader Hughes Electronics, picked by Positive Patterns newsletter of Springfield, Ohio.

Bob Howard, that letter's editor, writes: "When you buy a stock, you want the best. The dogs will always be cheap — always. The best will always be expensive, but in reality they are bargains." Good advice.

Mr. Carlson offers cool, smart counsel to his readers.

"So far," he writes in the current issue, "every major financial crisis has been a major buying opportunity."

His recommendations are mutual funds rather than stocks, and he provides more general advice of taxes and ways to cut trading costs.

Washington Post Service

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ALL-STAR FUNDS: Toll-free in the United States, 1-800-299-4223. For overseas service, use the email address: allstar@comcast.com. (Monthly, \$12.50 a year.)
BOB CARLSON'S RETIREMENT WATCH: 1-800-433-9290, or toll-free in the United States, 1-800-252-1152. (Monthly, \$7.50 a year.)
THE CHARTIST: 1-800-596-2385. (Every three weeks, \$150 a year.)
DICK DAVIS DIGEST: 1-954-567-0610. (24 issues annually, \$165 a year.)
DOW THEORY FORECASTS: 1-219-931-6440. (Monthly, \$23 a year.)
GROWTH STOCK OUTLOOK: 1-800-454-5328. (Twice monthly, \$25.)
HULBERT FINANCIAL DIGEST: 1-703-663-9905. (Monthly, \$135 a year.)
PRUDENT SPECULATOR: 1-949-497-7657. (Monthly, \$175 a year.)

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SPONSORED SECTION

SPONSORED SECTION

TUNISIA

THE NATION AS SEEN THROUGH OTHERS' EYES

Tunisia is firmly rooted in modern economics, technology and society.

Tunisia usually generates favorable commentary from observers regarding its political stability, progressive economic policies and formidable strides in social progress.

In contrast to many other Arab states, Tunisia has always been a country inviting and supporting contact with the outside world, notes Robert Mantran, a historian and Mediterranean specialist who teaches at the Institute of American Universities in France. "Tunisians have assimilated many foreign ideas and institutions into their society, and this has provided them with a national sense of direction and stability. The country is certainly the most westernized and socially progressive nation in North Africa."

Independent observers tend to agree that the current recipe for economic development has created a favorable environment for growth. Institutions like the World Bank and International Monetary Fund have said that the government could reduce more quickly the state's role in the economy, speed up the privatization process, and further liberalize trade. Yet most economists remain optimistic.

"We think Tunisia is a country making constant progress in terms of economic development, and we have a very positive outlook," says Eric Lindenbaum, an analyst at Merrill Lynch in London who follows countries in the Middle East and Africa. "The most important economic development during the past six months is that the government has begun to move ahead with its large-scale privatization program."

Gateway to trade

Economic liberalization and openness to external ideas are continuing in many areas. Tunisia is a gateway to African and Middle East markets, and the country is breaking ground in advanced information technologies.

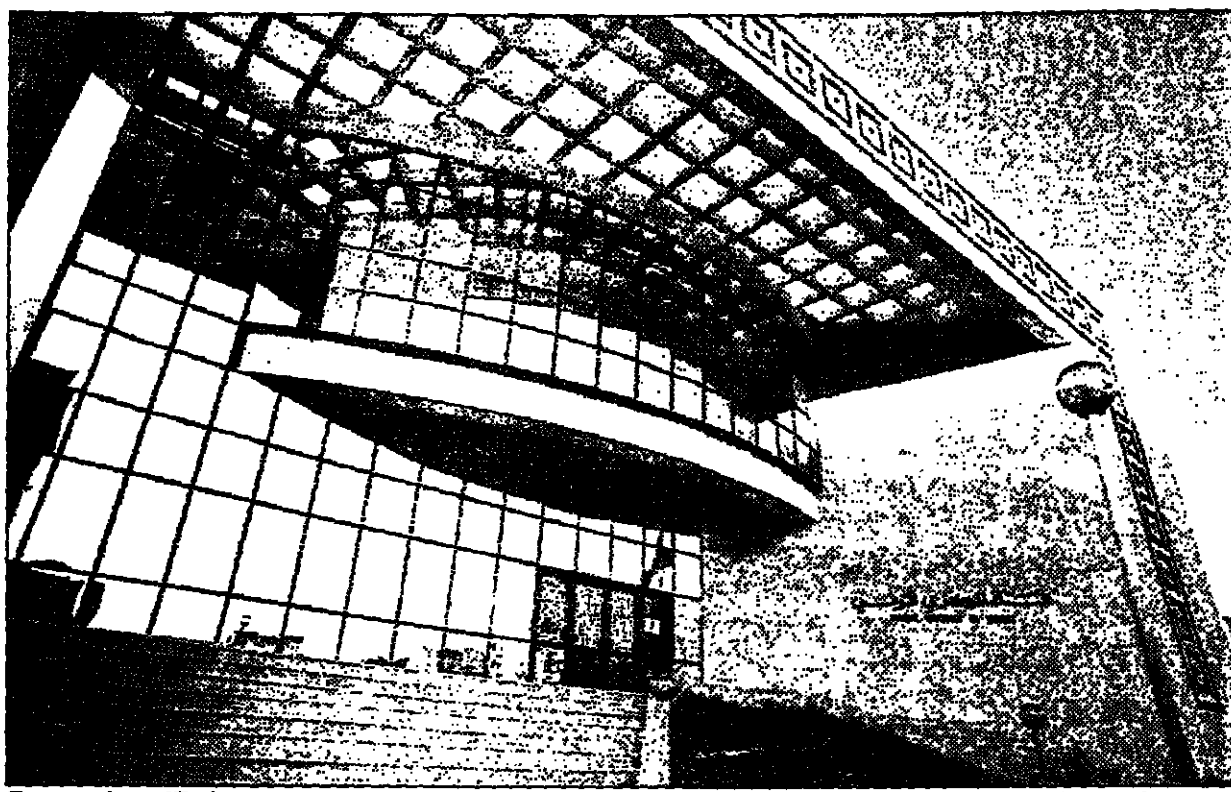
"The Tunisian administration is taking active measures to create pacts with international organizations in the area of new technologies," says Senator Pierre Laffitte of France, who is hosting a conference next week on Teleteaching in Europe and Mediterranean Countries. "In addition," he says, "there is a substantial national competence in software development, telecommunications and research, and the government is prepared to modernize rapidly the national infrastructure." Participants at the conference will include Moncef Rouissi, Tunisia's minister for employment and training.

International ties

Tunisia's long-standing relationships with the United States and the European Union, with which Tunisia signed an



Two snapshots of Tunis: a street that has both residential and commercial aspects (left) and the Central Bank of Tunisia (above).



LAWS LIBERALIZE FINANCIAL INSTITUTIONS

An agreement with the European Union has spurred changes that will make this sector more competitive.

In accordance with an agreement signed with the European Union, Tunisia's financial institutions must lower service barriers in 2001. This will affect the country's 12 commercial banks, eight development banks, two merchant banks, eight offshore banks, eight leasing companies, 28 stock exchanges, 105 trust units and 16 venture capital investment companies.

Through new legislation and regulatory reform, the commercial banks — with nearly 750 offices or branches throughout Tunisia — are being liberalized, adapted to European standards, and equipped to meet the evolving financial needs of the national economy. The country's savings rate as a percentage of GDP is almost 25 percent (an increase of nine points in the last decade), with savings accounts and unit trust funds reaping the benefits.

A 1997 report on Tunisia's banking

system commissioned by President Zine El Abidine Ben Ali identified three major areas for reform: regulatory reform to upgrade reserve requirements and other standards of bank operation; restructuring so that commercial banks can make long-term loans and development banks can offer savings accounts; and modernization, i.e., improvements in technology, staff training and the legal environment for financial activities.

Unlimited transfers

In other ways, too, Tunisia is taking steps to bring its banking sector in line with international norms. The Tunisian dinar was made convertible for current transactions in 1994, and as a result there are no restrictions on transfer of income on capital, commercial transactions or transactions related to production. International reserve standards

and credit ratings have been implemented, and interest rates are not regulated.

Fast track

The foreign exchange market, set up in 1994, handles about 85 percent of foreign currency purchases and cash sales, and 100 percent of time transactions.

Foreigners may, without prior authorization, hold up to 100 percent of the project capital in firms operating in manufacturing, tourism, export services, and industry-related services (e.g., engineering, industrial maintenance).

For domestic trade, authorization must be obtained if foreign shareholding exceeds 50 percent. The relevant government office is obliged to make a decision for approval or refusal within 15 days.

C.F.

FUND GIVES POWER TO THE PEOPLE

The president has made it his mission to distribute the fruits of development.

The first school in Tunisia to receive a computer was located in one of the most impoverished areas of the country. As of today, schools in 74 such areas will be equipped with PCs.

President Zine El Abidine Ben Ali's government has placed a high priority on reaching out to the country's poorest citizens. In a National Day speech two years ago, the president emphasized the importance of "justice in the distribution of the fruits of development and equality of opportunity for all citizens wherever they may be."

The government's commitment to economic development has brought about a network of social services that are among the best in the region. A high percentage of the budget is allocated to social programs, including housing, health, unemployment, education and training. Other priorities are to provide low-cost housing, boost employment, expand the health-care network, improve educational facilities, advance women's rights and opportunities, and create new employment and training programs.

1,144 points of light

Currently, 60 percent of the population is middle-class, and poverty has declined from 13 percent in 1980 to 6.2 percent today — this is the lowest range in the developing world. Revenue per capita has more than doubled in the last decade, while substandard housing has more than halved. The level of literacy is the highest on the continent, almost 70 percent; two-thirds of the illiterates are over 50 years old.

President Ben Ali established the National Solidarity Fund to eradicate poverty.

"The point is to unlock these 'places in the shadows' by providing paved roads, electricity, potable water, basic health services," says Mohammed El Hedi Ben Abdallah, an executive with the fund.

Working with residents and local authorities, Tunisia's 23 prefects have

identified 1,144 areas of need. Half of the Fund's revenues are provided by the state, but the other half come from contributions by individuals and organizations. The President insisted on this structure so that all Tunisians could be involved in their country's development. Last year one million donations were made for a total value of \$11 million.

26/26 vision

The National Solidarity Fund is sometimes referred to as the "26/26 Fund" because at least 26 families must be living in a zone for it to qualify. Also, the post office account where donations can be made is number 26.

The Fund sponsors projects of four types. The first provides basic infrastructure for electricity, water, roads, health-care facilities, schools and housing. There are 2,250 projects, including a recently completed housing project.

Multi-generational families who had been living in little better than mud huts proudly show off new, neat white homes with plumbing, electricity and small gardens. The homes are linked by a new road to a nearby school and health facility.

A second type of project is one that generates revenue. In the last five years, 40,000 such projects have been sponsored. The majority of these (70 percent) have been for agriculture, but they also include projects for artisans, beauticians and, in one case, a man who rents his five camels to tourists.

A third type of project involves the development of local associations. Community groups chose the kind of assistance they want and establish priorities for its disbursement. There are 794 development communities today with 5,800 members, 900 of whom are women.

Finally, there are what Mr. Ben Abdallah calls "accompanying projects."

The installation of computers in the country's poorest school districts is one of these. Another is the construction of public showers in rural areas that lack adequate plumbing.

C.F.

AGRICULTURE AND RESOURCES TAP NEW KNOW-HOW

There is a healthy balance between city-dwellers and rural workers.

Tunisia's approach to farming and natural resources is consistent with its overall strategy for development: steady improvement in productivity and self-sufficiency, but not at the cost of social disruption. When the country became independent in 1956, half the population worked in agriculture. Today less than 21 percent are farmers, producing 15.2 percent of the GDP.

"We want the total number of people working in agriculture to remain constant at today's figures, about 550,000 permanent workers," says Sadok Rabeh, minister of agriculture. The ministry's programs encourage small farmers (55 percent of the total) to stay in the countryside, in order to "preserve the social fabric."

The country's main crops are olives, dates, citrus fruits, almonds, grains, sugar beets, grapes, poultry, beef and dairy products. Principal exports are olive oil (Tunisia is the world's second-largest exporter of olive oil after Spain), dates, citrus fruits, vegetables, fish and shellfish.

Self-sufficiency

This year, Tunisia has set a goal of achieving self-sufficiency in fruits and vegetables. Next year it hopes to do the same with milk, and with meats in 2000.

"Education is key," says Mr. Rabeh. "We are improving productivity with education and training through the media (radio and television) and field programs direct to the farmers."

A major focus of the agricultural ministry is to encourage more investment in the transformation process for olive oil, canned and frozen fish, and farm products by developing technology, marketing, and production methods locally.

For example, says Mr. Rabeh, "we would really welcome an Italian olive oil producer to set up a production facility here. They have the best know-how for olive oil, and we have excellent olives."

Saving water

Another focus of agricultural policy is the lowering of per capita water consumption. In Europe, the average is 50 percent consumption of water supplies; in Tunisia it is 80 percent. Some of the loss stems from old irrigation methods. So there are programs to teach farmers newer methods and financial incentives to persuade them to change.

These efforts are producing good results, reports Mr. Rabeh.

A third focus is fighting the advance of the Sahara desert, blown north by the scirocco from the south. The country is underwriting the major infrastructural work of building

EXPORTS ARE A DEVELOPMENT LINCHPIN

"encouraging Tunisia's integration in the global economy."

Regional leader

Tunisia's exports to its neighbors in North Africa and the Arab states have grown from 352.9 million Tunisian dinars (\$392.1) in 1992 to 485.3 million dinars in 1997. The former now claim about 6 percent of exports, and the latter 1.7 percent. Within the region, Tunisia exports twice as much per capita as their Moroccan neighbors and six times as much as Egyptians.

The lion's share of Tunisia's trade is with

Europe, the country's number-one trading partner. Between 1992 and 1997, Tunisian exports to the European Union soared from 2.77 billion dinars to 4.82 billion dinars. The European Union absorbs 87 percent of Tunisia's total exports, up from 51 percent in 1976.

High roller

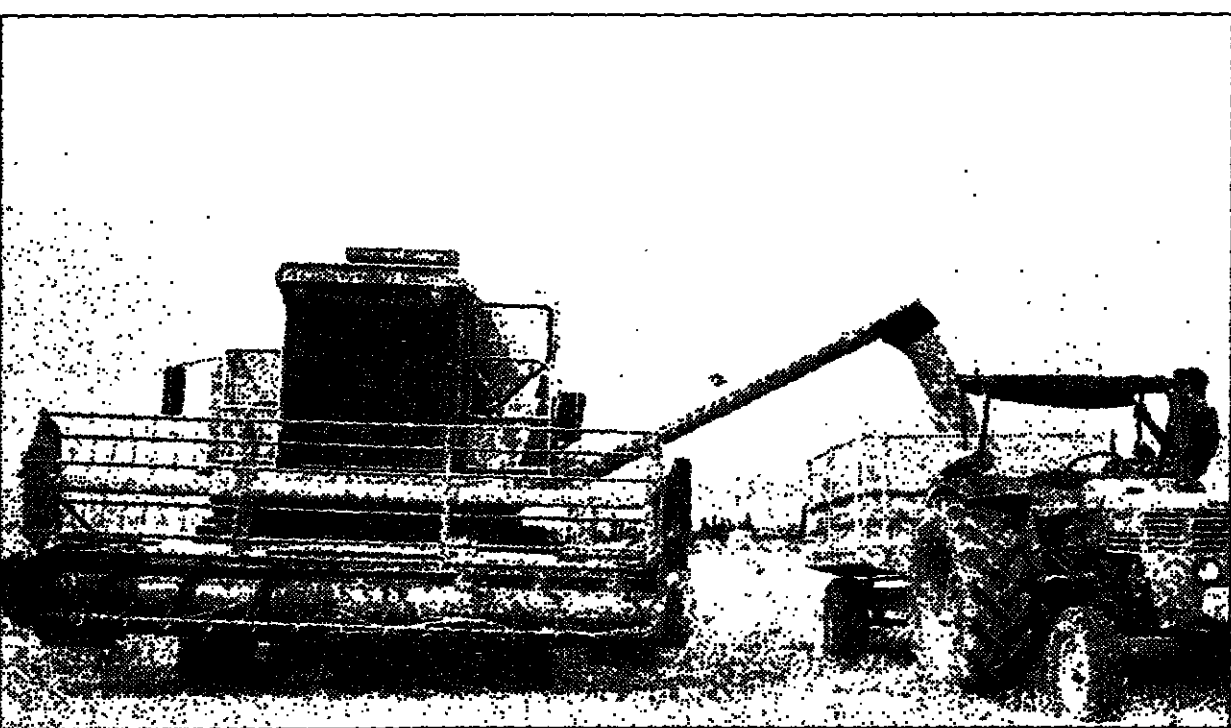
Recognizing Europe's importance, in 1995 Tunisia became the first country south of the Mediterranean to sign the Association Agreement with the European Union. The pact, which took effect on March 1, 1998, represents

a gamble for the country. It entails the abolition of tariffs on industrial goods phased over a 12-year period, with some lowering of agricultural and service barriers. Tunisia is betting that the facilitated access to European markets will result in additional growth in GDP of 1 to 2 percent per year.

In return, Tunisia must open up some of its heretofore-protected industries. The EU is providing some money to help internal restructuring. Between now and the year 2001, some 2,000 companies will be upgraded.

"What we are doing is an ongoing process," says Moncef Ben Abdallah, minister of industry, energy and mines.

C.F.



irrigation canals and is offering financial incentives to mobilize the private sector in this area.

Tunisia's war against "desertification" takes place in the context of environmental awareness and a national strategy for sustainable development, in accordance with the principles of the 1992 UN conference in Rio de Janeiro, Brazil. Relevant government ministries — from industry to tourism — develop their policies to protect the natural elements (air, water, soil and biodiversity) while improving the population's living conditions.

Financial incentives

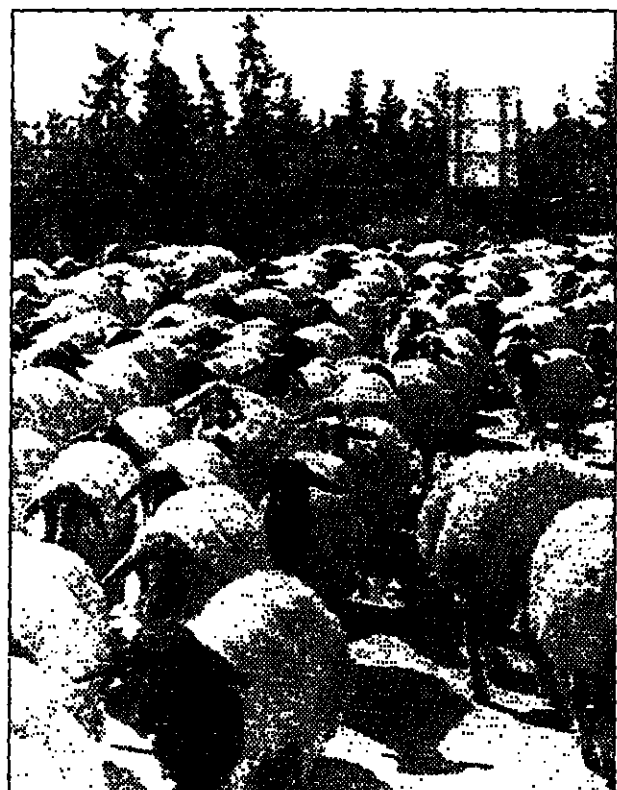
Non-Tunisians who want to buy into agricultural projects or natural resource development may own up to 66 percent of the capital investment for private agricultural activities, the modernization of existing processing plants, and the creation of new plants. The government offers financial incentives to investors. Last year, there were as many farm activities created in Tunisia as energy firms.

The energy sector accounts for more than half the foreign investment in the country. Tunisia is self-sufficient in natural gas and will maintain its positive energy trade balance until at least 2000. The country is one of the world's largest exporters of phosphates, while lead and zinc output is rising substantially.

Yet Tunisia's plans for growth do not rely on its energy reserves.

"We don't have a lot of natural resources, but we do have ambition," says Moncef Ben Abdallah, minister of industry, energy and mines.

C.F.



Rural life is a harmonious balance between nature and technology.

TUNISIA

This country of 9 million people is strategically located at the geopolitical crossroads of Europe, Africa and the Arab world. It boasts steady economic growth, reduced inflation and a free-market economy. Industry privatization and a high-tech revolution are well under way — a boon for investors. Tourists, too, find plenty of cultural, natural, and retail-related attractions. Clockwise from top left: the agriculture and high-tech industries; historical beauty; the cities of Tunis, Sousse and Bizerte; the new generation.



TUNISIA AT A GLANCE

Area:	163,610 square kilometers (63,170 square miles)
Population:	9.25 million (current estimate)
Population growth rate:	1.48%
Per capita income:	2,160 Tunisian dinars (one dinar is currently about \$0.90)
Economic growth:	6.3%
Average growth rate at constant prices (1962-1997):	5.1%

Source: Government of Tunisia. 1997 figures unless otherwise noted.

FOREIGN GIANTS SET UP SHOP

Whether in textiles, technology or another industry, 1,600 companies are at home here.

Why did we come here? It's because of the business climate," Achille Rachello, CEO of Benetton Tunisia, acknowledges that the country's low wage structure and proximity to Italy were factors in his company's decision to set up a formal operation in 1995, but he emphasizes the decisive importance of the government's attitude toward business.

"Tunisia understands that it can have a great future with foreign companies. The government is investing in infrastructures to help foreign companies because that way the country acquires know-how," he says.

Benetton is one of more than 1,600 foreign companies with direct investments or joint ventures in Tunisia. Italian companies top that list, followed by American, British and French firms respectively.

Benetton is one of 350 Italian companies in Tunisia, many concentrated in the textile industry. It has 50 Tunisian production sites and employs, directly or indirectly, 3,500 people.

"We were drawn by the lower cost of labor here and the fact that workers can speak French," says Mr. Rachello. "We started by doing work for one Benetton division and now we do work for all five."

Engineers and polyglots. For German technology giant Siemens, Tunisia's attractions include its political and economic stability, relative proximity to Germany, and qualified local work force that speaks up to four languages (Arabic, French, English and German).

"Low cost isn't the only reason to come here," says René Buchler, director of Siemens's ETAS (Entreprise tunisienne de télécommunication). "You can find low-cost labor elsewhere. We have built our competence on young Tunisian engineers who have studied in Germany, thanks to a government program that supports 30 such students per year."

Siemens has grown from 10 people in the early 1990s to 70 people today, of whom 45 are engineers. This year Siemens created a second company in Tunisia, a training facility on the coast not far from Tunis, where "four-star quality" is available, says Mr. Buchler.

The lifestyle factor. Dhamir Mammal, president of Cynex, an offshore company in the high-tech industry, cites factors that drew him home from the United States. In addition to the relatively low cost and high quality of engineering talent and the reliability of the telecom infrastructure, he finds the lifestyle and location important for his work.

"Tunisia is a pleasant place to visit (for our customers), and our engineers can live well," he says.

Compatible and accessible. The geographic location means time-zone compatibility throughout Europe, as well as accessibility and technical support.

And the Mediterranean culture is important. "We are looking for long-term relationships so we don't have to spend a lot of time on marketing. And you can find that here," says Mr. Mammal.

In addition, he says that Tunisia's large middle class and effective state institutions ensure social stability. "You don't have to go around with bodyguards in this country."

Claudia Filici

COMPETITIVE ECONOMY IS BASED ON AN OPEN, TOLERANT AND MODERN SOCIETY

Tunisia's geographic origins are African, its commerce European and its outlook multinational.

In remarks to the Tunisian-American Chamber of Commerce last June, U.S. Undersecretary of State Stuart Eizenstat called Tunisia's economy "a model for developing countries" and credited the leadership of President Zine El Abidine Ben Ali and the Tunisian government for "this solid economic performance."

Mr. Eizenstat is not the only person to call attention to the accomplishments of this ambitious country, located on the African continent only 140 kilometers (87 miles) southwest of Italy. The 1998 Report on Competitiveness in Africa, published by the World Economic Forum at Davos, Switzerland, ranks Tunisia as the second-most-competitive among African countries (after Mauritius) and the top overall for the quality of its human resources.

The same report notes Tunisia's high standing in the United Nations Human Development Index and says that the strong correlation between the two rankings "illustrates the strong benefits in human well-being of national competitiveness."

The Heritage Foundation of the United States classifies Tunisia among countries with a "liberal economy" that has relatively low taxation.

Solid growth
GDP per capita is more than 2,000 Tunisian dinars (the dinar, pegged to the U.S. dollar, currently equals about 90 U.S. cents); the government aims to triple that figure over the next decade. By 2015, Tunisia would like to be in the top-30 ranks of world economic power, up from its current position at number 70. The country's purchasing power parity (PPP) is already above \$5,000 per capita, bringing it reasonably close to that goal. Government officials estimate that GDP will grow 5.4 percent this year. Indeed, GDP has grown more than 5 percent a year in constant prices since 1962. This year-over-year consistency has drawn the interest of investors not only from France — Tunisia was a French colony from 1881 to 1956 — but from all over the globe.

On March 1, 1998, a free-trade agreement between Tunisia and the European Union came into effect; Tunisia was the first country south of the Mediterranean to sign this agreement three years ago. The country is also a founding member of the World Trade Organization and benefits from reduced tariffs on manufactured goods, agricultural products and handicrafts with the United States, Japan, Switzerland and Australia.

U.S. investments alone increased 31 percent between 1996 and 1997, says Mohammed Ghannouchi, Tunisia's minister of international cooperation and foreign investment. Yet Tunisia is more than a business-minded trading partner: it is a country of more than nine million people strategically located at the geopolitical crossroads of Europe, Africa and the Arab world.

"Geographically we are part of Africa," say ministers and business executives in private conversations. "We share our religion with the rest of the Arab world. But our most important economic relations are with Europe, and our cultural affinity is with the other countries of the Mediterranean basin."

A walk around Tunis, the capital, substantiates these observations. The city's modern district is clean and bustling, with sidewalk cafes, shops bearing international brand names, jeans-clad strollers and even a home-grown hamburger outlet. It resembles many other Mediterranean port cities.

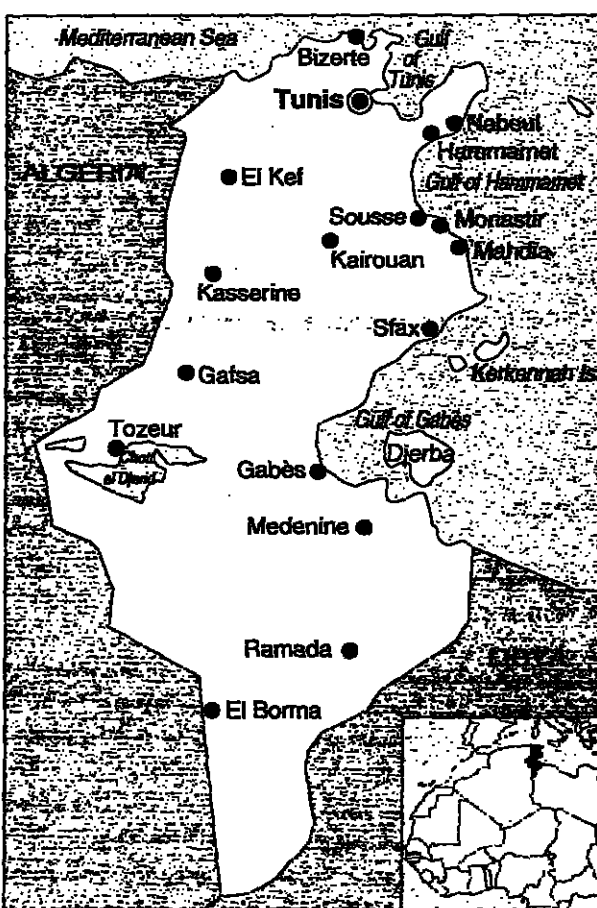
The medina — the old walled city, with winding alleys and souks overflowing with carpets and camels (the carved variety) — merchants ply their trade in a number of languages, reflecting the country's past as a prize sought by conquerors from many lands and cultures. Women — whether shopkeepers or customers — are not singled out for unwanted attention, as befits a country founded by a woman (Queen Dido in 814 B.C.). The public transportation system

reminds many other Mediterranean port cities.

Continued on page 24



Zine El Abidine Ben Ali, Tunisia's president.



Moncef Ben Abdallah has been Tunisia's minister of industry, energy and mines since October 1997. Before that, he held a number of executive positions in the government and industry. He has been a consultant to the World Bank and the United Nations Development Program, and has university degrees in engineering and mathematics.

Tunisia's business climate is often described as "investor-friendly." What factors contribute to this?

First of all, the political parameters: we have political and social stability. Two-thirds of our citizens are middle-class, and our political class is quite homogenous. We have enlightened economic and social policies.

Then there is the agreement signed with the European Union that will give Tunisia liberal access to the European Market by 2008. We have been liberalizing our economy for the last 10 years. Investment is deregulated, foreign trade is 95 percent deregulated, and prices are deregulated (with the exception of certain sectors such as oil and food staples). The state is withdrawing from all competitive sectors of the market.

Tunisia's single code of investment gives freedom for business investments, be it by Tunisians, non-Tunisians

or joint ventures. All benefit from fiscal policies, aid for employment, and incentives for investing in certain development zones.

Plus, we have invested heavily in education and training. What are the country's strengths in human resources?

We probably have Africa's highest percentage of educated and trained workers in the active workforce. Our literacy level is high, and our poverty rate, at 6.2 percent, is low.

One of our objectives is to create 60,000 training positions a year in all disciplines. Given the demand for employment training, estimated at 65,000 per year, we should be able to close the gap within a few years.

How important is the industrial sector to Tunisia's economy?

The industrial sector — including industry, energy and mining — represents 25 percent of GDP; industry alone accounts for 18 percent of that, as well as 18 percent of employment. Fifty nationalities are represented among our 12,000 industrial companies, and industry accounts for 85 percent of total exports. These figures show that there is industrial development in Tunisia, as well as a developed entrepreneurial spirit. This is all good news for investors.

How is the country preparing to compete with Europe?

We have spent \$800 million to upgrade our industries and therefore expect to reach an estimated \$2.5 billion by 2001. The money is being spent for modernizing, renovating and improving the quality of products and personnel, as well as improving commercial activities and marketing. Thus far, 310 companies are involved, and they are the largest in the country. By 2001, some 2,000 enterprises will be participating, including small- to medium-sized enterprises (SMEs).

In the competition for investment capital, how does Tunisia rank?

We regularly compare ourselves to Eastern Europe, the Mediterranean and Asia, not only for the cost of labor but for the cost of production items such as electricity, water and transportation. Tunisia is well-positioned in all these areas. Our salaries are average, especially in comparison with Asia, but we are on the low side compared with Eastern Europe. And we have good workforce productivity. Currently there are 1,600 foreign companies producing in Tunisia for export; they are generally satisfied with the ratio between labor costs and productivity. We are competitive for

electricity. We were a little bit expensive for transportation, so last year we restructured the transportation sector — maritime transport and services — and now we are seeing those costs go down. The same is true for telecommunications.

How have you brought down transportation costs? The transport of merchandise had been largely privatized. The state no longer invests in

Tunisia's single code of investment gives freedom for business investments, be it by Tunisians, non-Tunisians or joint ventures

the transport of merchandise, and the companies taking up the slack are newer, faster, more flexible. The state remains in the area of passenger transport with CTN (Compagnie tunisienne de navigation), but this group represents no more than 30 percent of maritime business.

Most of our commercial transport is by sea, to Europe certainly and also within the Maghreb. We are introducing more competition for the port and airport so that importers and exporters will have the best service at the lowest possible prices.

We have special tariffs for companies that export at least 80 percent of their production.

Tunis Air is developing well. A new private airline for freight, Méditerranée Air Service (MAS), began operating late last year. Air freight traffic is still weaker than we would like, however. The main products transported are textiles, electrical equipment, agricultural products and seafood.

Textiles have traditionally been the country's leading industry. Is that still the case? If so, how is the industry evolving?

Textiles are the certainly Tunisia's leading industry in terms of numbers of companies. There are about 2,500 companies, employing about 220,000 people, i.e., 12 percent of the workforce. Textiles also represent 45 percent of exports. This is a very dynamic, competitive sector. Per capita, we are the number-one textile producer in the world — \$287.00 per person per year.

Our objectives are to consolidate this sector, integrate processes like spinning and finishing, and improve productivity by specializing in value-added operations. We are doing this through a combination of training, promotion, and partnerships. Tunisian companies benefit from financial incentives when they invest abroad to

improve their distribution, for example.

How is your privatization program faring? Between 1988 and 1997, we privatized 100 companies. An acceleration began in 1996, with 25 companies per year being privatized since then. By 2001 we will have completed our privatization program. There are 160 to 170 companies left to privatize in the competitive arena (i.e., a sector where there are several companies producing).

After 2001, at the end of our ninth economic plan, there will be about 30 state-owned companies left. These are either in monopoly markets or are strategically important companies that will remain in state control (electricity, water, railroads). Companies will remain in state control when there is no competition in order to protect the economy and the consumer.

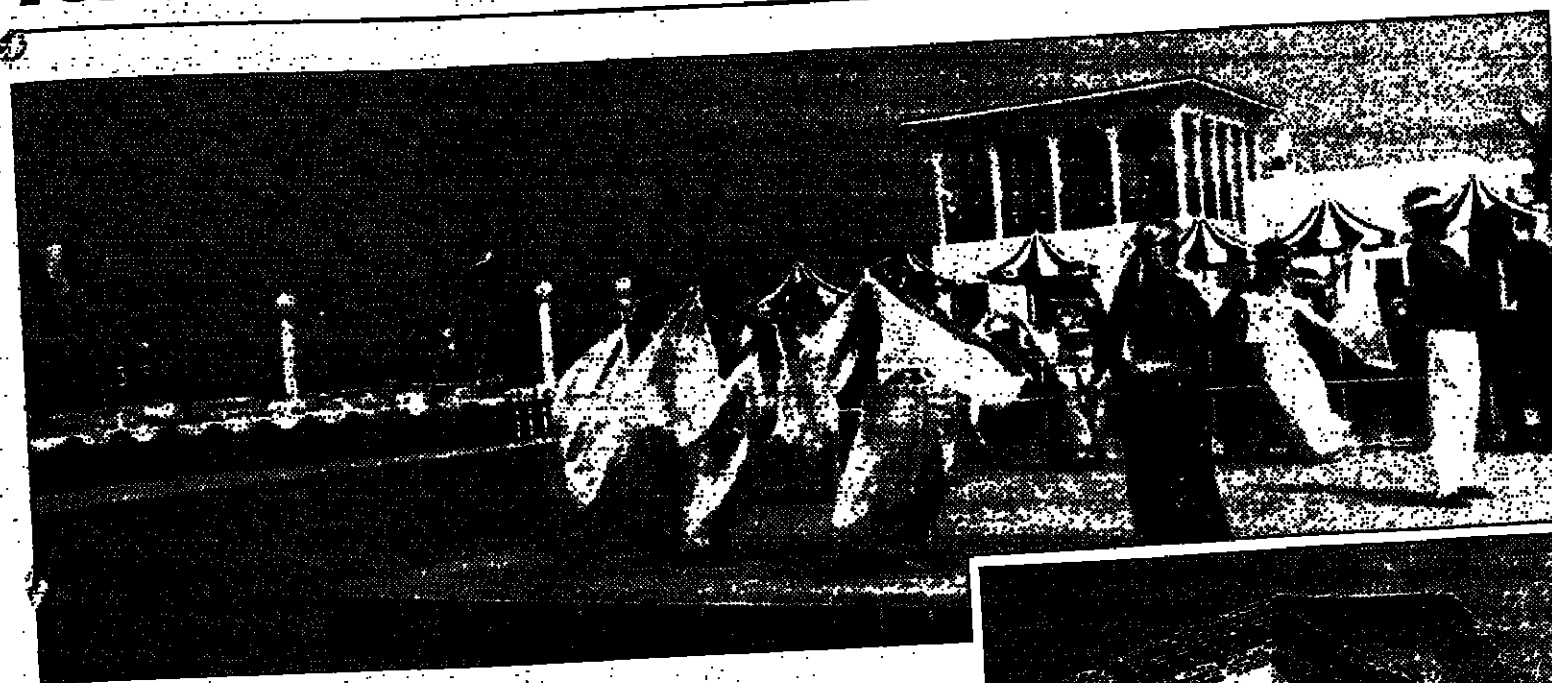
Last year we began privatizing our cement industry. The two largest cement plants were sold in the last month, to Spanish and Portuguese buyers. Starting this month, we will be preparing to sell off the three remaining important cement factories. Given the preparatory work that needs to be done, we expect to have those sold by mid-1999. The cement industry will be entirely privatized.

Interview by C.R.

"TUNISIA" was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by BNDT, BDET, ETAR, BNA, STB, BF, UIB, the Office des Ports Nationaux Tunisiens and the Groupe Chimique Tunisien. Writers: Claudia Filici, based in the south of France and reporting from Tunisia, and Joel Stratto-McClure, based in the south of France. PROGRAM DIRECTOR: Bill Mahler.

SPONSORED SECTION

TUNISIA



ENDLESS TOURISM VARIETY

Tunisia has 20,000 cultural sites and 400 official festivals each year.

Hannibal is likely to conquer Rome again in the year 2000. Rome is one stop in a three-country tour of artworks from Carthage during the age of its most famous general.

Cultural events like these help a country's economic and social development by promoting tourism, creating jobs and encouraging investment.

"We have had many ministerial meetings on how to harness museums, culture and economic growth," says Abdelhak Hermaoui, Tunisia's minister of culture. He has plenty of raw material to work with: his country has 20,000 sites of cultural interest, 400 recognized festivals a year, and its capital city, Tunis, was designated a "cultural capital" by UNESCO in 1997.

Culture's coattails obviously have had their effect. Visitors to Tunisia increased 10 percent to 4.4 million last year, and generated \$1.6 billion. Although that total is only 6 percent of the country's GNP, the industry employs 300,000 workers directly and indirectly and is a major source of foreign currency.

Most tourists head for Tunisia's 1,300 kilometers (miles) of beaches, where the climate is warm, the environment unpolluted and personal safety assured. Their principle entry points are the airports of Monastir (Africa's leading airport for charter flights) and Djerba. The capacity of both these airports will be doubled by 2001. The country's major point of entry, Tunis-Carthage Airport, will enlarge its passenger capacity by 50 percent (to 4.5 million passengers) by the end of this year.

The Tunisian Tourist Board hopes to lure visitors to attractions beyond the coastline, and here the promulgation of Tunisian culture can play an important role. The interests of tourism executives, environmentalists, archaeologists and historians come together in projects that can enrich the country in many ways.

Anyone who has studied the grandeur of Carthage or El Jem — the largest Roman amphitheater in Africa — succumbed to the charms of Sidi Bou Said, or surveyed the Sahara from a camel's seat knows that Tunisia has more to offer than its beaches.

"The state encourages such investment [in hotels and tourist facilities near cultural sites], but the development must be private," says Fakhreddine Messai, director of the Tunisian Tourist Board. "Cultural tourism can't be a monopoly."

In October, Philippe Bourguignon, the president of Club Méditerranée, met with Mr. Messai to discuss an enlargement of Club Méd's considerable and long-standing presence in the country.

"It's been a good relationship for both of us," says Mr. Messai, "which is why we are eager to develop it further."

Oscar winners Tunisia's film industry is also being developed. The country's lunar landscapes were first seen by international audiences in the "Star Wars" trilogy, and since then a succession of European and American productions have been filmed here.

"We have the infrastructure, laboratories, access to cultural sites, and a trained staff that is not unionized," explains Mr. Hermaoui.

The Oscar-winning "English Patient" was filmed in Tunisia, and its success spawned a 21-day tour that traced the steps of the film. "The tour was a complete cultural package and was sold out," notes a tourism official.

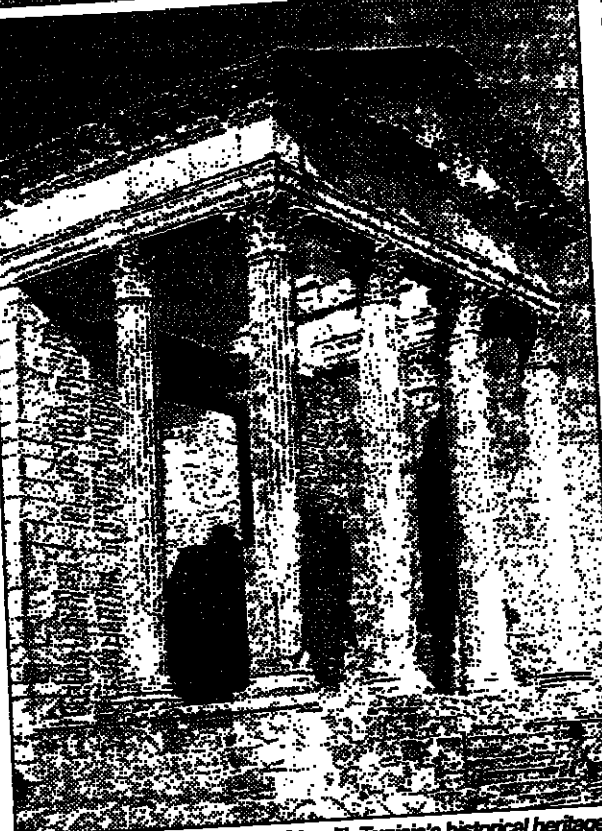
In the next three years, the Tunisian Tourist Board intends to initiate a project for a major convention center in Tunis. In this way, the country can vie for more international convention and incentive business. Tunisia already has the high quality lodgings appropriate to such business — 40 percent of its hotels are four- or five-star.

Cultural opportunities complement business travel, so Tunisia is also developing a computerized cultural map and a computerized heritage map.

Yet the country's underlying draw is not based on infrastructure improvements. The preconditions for successful tourism are stability, peace and good service, according to Mr. Hermaoui.

"The true importance of culture is that it nourishes cohesion — the emotional and psychic needs of our people."

So Hannibal's tour will begin, appropriately, in Tunis.



The living arts stand side by side with Tunisia's historical heritage.

TEMPTATIONS AT THE TABLE

Although the name on a menu suggests a leaden lump of indigestible food, a Tunisian briq has nothing to do with its English homonym. It is a staple of Tunisian cuisine: a flour dumpling or pastry that changes according to its filling and the caprice of the chef. Variations include cheese, tuna, hard-boiled eggs, beef, chicken or lamb. A briq may be light enough for a dinner appetizer but can be substantive enough to serve as a satisfying quick lunch.

Briks — and copious glasses of sugared mint tea — are ubiquitous in Tunisian restaurants. Olives or olive oil are found in almost all dishes, citrus fruit, tomatoes, beef, lamb and poultry figure prominently in main and side dishes. Almonds, pistachios and other fruits may also make an appearance, such as lamb with prunes. Seafood is usually fresh along the coast.

Méchouia is Tunisia's national salad, prepared with finely-chopped tomatoes and peppers seasoned with lemon. It is usually served as an appetizer, as is tajine, a mixture of eggs and other ingredients such as spinach, lamb or chicken. Chorbas are spicy soups, with or without harissa, an accompaniment of hot peppers.

Couscous is a well-known North African export. In Tunisia, *couscous au poisson* (fish couscous) is a specialty at seaside resorts. Markas, or stews, a combination of beans, tomatoes and meat or chicken, are more earthy but no less delicious. Merguez is a spicy sausage of lamb or beef that crops up often in main dishes.

Dates, fruits and the honey-sweetened pastries of the Arab world appear regularly as dessert offerings.

Malouf music is a frequent dinner accompaniment. It is a combination of lute, violin and tambourine heard as frequently in the restaurants of Tunis as gypsy violins are in Budapest.

Tunisian dining also boasts hospitable service and cultural diversity. Jewish-Arab dishes, for example, have a special place in Tunisia's culinary repertoire. Although the lines blur between the two, some are clearly identifiable. A *menina* is similar to a Leb-

anese mezza, an appetizer consisting of small dishes of beans, salads and eggs. Boutargue, pressed fish eggs eaten in slices with lemon, is similar to the Italian bottarga. Akoud is tripe stew with tomatoes. Osbane, a sausage served with sauce or couscous, is similar to the French andouillette.

A sampling Abou Nawas Tunis, Av. Mohamed V, 1002 Tunis, tel. (216 1) 350 355: This is one of the city's leading hotels, with four restaurants and an international clientele. The hotel's kitchen really shines at breakfast. Orange juice is fresh-squeezed; the breads, rolls and croissants are freshly baked; omelettes are made to order; and there is a profusion of fresh fruits. Halvah and honey pastries tempt the early-rising sweet tooth.

Le Duc, 7 bis rue Gandhi, tel. 350 020: One of the city's better Jewish-Arab restaurants. Dishes are flavorful yet unpretentious. Closed Friday evening and Saturday at noon.

Dar el Jeld, 5 rue Dar el Jeld, Tunis, tel. 260 916: The name means "house of leather" in Arabic, and this restaurant was the home of a Tunisian leather merchant in the 18th century. It was transformed into a restaurant 10 years ago and is now one of the city's most elegant eateries. The decor is sumptuous and the service impeccable.

Le Grand Bleu, av. Taieb Mhiri, Gammarth (a coastal town 20 minutes north of Tunis), tel. 469 000: Close your eyes and you could be on the Côte d'Azur or the Costa Brava. There is nothing Tunisian about this seafood restaurant except the prices — one-third to one-half of what you'd pay for comparable quality in the Northern Mediterranean. The food and service are up to top international standards. It's a meeting place for movers and shakers from nearby Tunis.

Les Galats, 69 bis av. Taieb Mhiri (facing the Belvedere gardens), tel. 796 359: This modest-looking bakery serves some of the best baklava, almond cakes and k'waifs (marzipan-based sweets) in the city. Rather than try to pronounce the names of the more esoteric varieties, just point to the temptations you covet. Open every day but Sunday. C.F.

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TUNISIA

WOMEN ARE THE DAUGHTERS OF DIDO

Tunisia's *dastaf* make the entire country productive — and proud.

Tunisia's respect for equality between the sexes is rooted in its history. The founder of Carthage, the city-state that became the country now known as Tunisia, was a woman. Queen Dido of Phoenicia came to northern Africa in 814 B.C. after her exile from Tyre, and, in the words of Virgil, founded a city "rich in wealth and harsh in the pursuit of war."

Female role models continued through the ages. La Kahena, a seventh-century Berber princess, was another major historical figure. A sort of Tunisian Joan of Arc, she rallied her people against the Arab invasion of the period and resisted the attacking armies for four years at El Jem. Eventually she was betrayed by a young lover who cut off her head and brought it to the enemy.

At the beginning of the eighth century, as polygamy flourished elsewhere in accordance with Muslim beliefs, the city of Kairouan developed a marriage contract stipulating that a husband could not take a second wife or a concubine without the express consent of the first wife. Tunisian scholars suggest that monogamy may have been a deliberate choice in Kairouan. This type of marriage contract endured for 1,200 years.

Contemporary perspective
Modern progress dates from 1956, when the country achieved independence. The very first act of the new Tunisian Assembly under the leadership of then president Habib Bourguiba was to adopt the Code of Personal Status, which abolished polygamy, institutionalized legal divorce, recognized both spouses' right to seek divorce, and set the age of 17 as the minimum age of marriage for young women — contingent on their consent. One year later, in 1957, women were given the right to vote.

Under current president

Zine El Abidine Ben Ali, the Code of Personal Status was amended in July 1993. Changes included obliging spouses by law to treat each other with respect and to help each other in managing the household and taking care of the children. A mother's consent is now required for the marriage of underage daughters. A fund was created to ensure alimony payments and child support to divorced women and their children. Also, the state trained judges in enforcing women's rights.

Other liberalizations in the last few years include granting child support to divorced women who have custody of the children; allowing both spouses to take out a personal loan for the purchase of the family home; standardizing criteria for the granting of social welfare benefits; and granting Tunisian women married to non-Tunisians the right to transmit the mother's nationality to the children, with the father's consent. Penalties for spousal abuse have been made more severe.

Planning family size

Today, policewomen on the streets of Tunis and in the military are a visible sign of the degree to which Tunisia encourages the full participation of women in society.

Women make up almost 30 percent of the country's university professors, one-third of physicians, almost 30 percent of higher-level managerial staff in government jobs, almost one-fourth of professional journalists. Participation by women voters in legislative elections quadrupled between 1989 and 1994, and more women are serving in elected and appointed government jobs.

Given these changes, it is not surprising that population growth is slowing.

It has dropped from 2.46 percent in 1986 to 1.6 percent this year, the lowest on the African continent and low by the standards of far more industrialized nations. "Wom-

en who work want fewer children," says Sadok Rabeh, minister of agriculture.

Educated class

Education is key to the full integration of women into Tunisia's economy. "Improvements in the health system, clean water, schools, social services must all be in place," says Mr. Rabeh. He notes that the importation and sale of contraceptives is legal in Tunisia.

School enrollment for six-year-old girls now stands at 99 percent, the same as for boys, and the dropout rates among female students have declined at all levels of education. In primary school, girls constitute more than 47 percent of the student body, up from 44.5 percent a decade ago. The number of girls in higher education has more than quadrupled in the same period.

Although the number of women engineers is increasing, in Tunisia (as in other countries) supply has not kept pace with demand.

"We try to hire as many women as possible," says Dhamir Mannai, president of Cynex, an information technology firm. "It's still hard because there are not that many women engineers, but one of our installers is a woman and that is rare even in Europe."

C.F.



C.F. Women have joined the ranks of lawyers, pilots and laboratory workers, among many other professions.

GETTING WIRED IS A CULTURAL THING

Exactly one year ago, on November 7, 1997, Tunisian president Zine El Abidine Ben Ali announced that all of the country's high schools, research centers, colleges and universities would be connected to the Internet by 2001. This was an ambitious undertaking, given that last year there were only 110 Internet connections in the country. But where there's a will, there's a way.

"Our president is very interested in this area, and it makes our work a lot easier," says Ahmed Friaa, Tunisia's minister of communications. By the end of this year, "connectivity" will have increased a thousandfold.

Interest in the Internet doesn't come only from the top down, however. Mr. Friaa describes computer installations in the Sahara, where the young and the curious explore the Internet.

"We will have increased spending 10 times in 10 years," says Mr. Friaa. "We recognize the importance of connections with the rest of the world."

Infrastructure development includes the opening of the country's first GSM network on March 20, 1998. By the end of this year, there will be 50,000 lines (up from 30,000 in January), and plans call for a total of 200,000 lines by 2001.

Not only has the infrastructure grown, but the quality is reliable. "We have seven phone lines and 34 engineers on line to the United States all the time and have no problems," says Dhamir Mannai, the American-educated president of Cynex, a high-tech firm with offices in Tunis and the United States. "We can buy our equipment anywhere in the world. We choose to buy it here because we can get what we want — and at a better price."

A second element is restructuring and privatizing the sector. The administrative and legislative underpinnings for this have been laid, including separating the post-office functions from telecommunications. Tunisia also signed an agreement with the World Trade Organization in which it agrees to take the necessary steps for privatization.

The ministry has set up 3,000 Public facilities nationwide. These are small para-governmental offices for telephones and faxes that offer Tunisian citizens greater proximity and longer hours than the post office. They also create employment for 8,000 people.

Decaf cybercafé

A comparable program, created in June 1998, is called Publiposte. Each of 11 satellite offices to date offers post-office boxes, mail services, telephones and fax equipment. Internet access is in the works.

Sonia Karoui runs a Publiposte office in a working-class section of Tunis. One of the program's four women managers, she is enthusiastic because the project has given her the chance to manage a small business right after her university studies.

Publipost will be a national network of 100 cybercafés "without the café," notes Mr. Friaa. Young people will be recruited as managers, and 50 percent of the business costs will be financed through low-interest loans. Here, too, the program is designed to provide service and create jobs.

The third element in Tunisia's communications strategy is to foster what Mr. Friaa calls the "culture of telecommunication." To encourage this, the government lowered telecom costs for business by 75 percent between 1997 and 1998.

Residential costs have also dropped dramatically. The monthly household charge is now 30 Tunisian dinars (\$33), and per minute costs have dropped from 70 to 30 U.S. cents a minute. These reductions occurred not because of the threat of immediate competition, but because "ours is an approach of social coherence," explains Mr. Friaa proudly.

Another initiative is Tunisia's first technology park. Located in a suburb north of Tunis, it will host intelligent buildings and an "incubator" for startup companies. "Just like Silicon Valley," says Mr. Mannai of Cynex, who will be the park's first occupant in January 1999.

C.F.

TRAINING A COMPETITIVE WORKFORCE

A nationwide effort focuses on training students, workers, managers and the unemployed.

What the world needs today is "patient capital" rather than short-term "hot money," said Donald Johnson, secretary-general of the Organization for International Cooperation and Development (OECD), in a

speech last month. "The former is what secures a sound basis for investor confidence."

Tunisia serves as a role model for patient capital. Government policies are developed with an eye on diversification and steady —

rather than overly speedy — growth.

A prime example is the country's \$2.5 billion program to upgrade industry, launched in 1995 to help domestic companies meet the challenge of free trade with Europe.

The main objectives of the

program are to help Tunisian businesses become more competitive in price, quality and innovation, and to help them develop their marketing savvy.

There are two interlocking aspects to the program: upgrading companies' competitiveness and upgrading the business environment in which they operate. A key to both is education and training — of students, managers, workers and the unemployed.

Deducting the costs

Moncer Rouissi, minister of employment and vocational training, describes a range of programs to address each of these groups. One, introduced in 1995, allows companies immediately to deduct the estimated costs of training, with an end-of-year settlement.

"Before this reform," says Mr. Rouissi, "350 companies offered training programs, and most of these were publicly owned. Last year, 1,000 companies were doing train-



We are the world: Tunisia's children are already an educated, multilingual part of society — the future private and public sector leaders.

ing, and most of these were in the private sector."

Pragmatic philosophy

The philosophy underlying Tunisia's approach to training is pragmatic consensus rather than dogmatic views about market forces. The demand for training centers comes from groups of enterprises, not the government.

Once a project is approved, a mixed committee of government and private

participants implements it.

An organized approach to training requires job descriptions, so Tunisia is making a national classification of them, with 2,300 job listings and a detailed description of each one. This project will be completed next year.

"I believe we are among very few countries in the developing world to have such a nomenclature," says Mr. Rouissi. "Even my ministerial job is included!"

Another example of pragmatic consensus is the National Employment Conference held last July at the behest of President Zine El Abidine Ben Ali.

The national conference was preceded by regional and sector-based conferences, with 1,000 companies and 8,000 young people participating in preliminary research. At the end of the conference, participants signed a National Declaration on Em-

ployment and agreed to develop a long-term strategy. Unemployment in Tunisia currently stands at 16 percent.

Specific proposals will be introduced by the end of this year. These will include encouragement of investment, emphasis on productivity, transparency in the labor market and the creation of an employment research group and databank.

C.F.

A COMPETITIVE ECONOMY

Continued from page 22

is efficient and inexpensive, but those who care to walk can do so safely day or night.

Reform-minded president

Many of Tunisia's advances have taken place since November 7, 1987, when President Ben Ali took office. Among his first acts were the abolition of a life term for the presidency (now a president can be elected for no more than three five-year terms), the release of all political prisoners, and the creation of new political

parties. A year later, the National Pact was signed. This document, developed by representatives from all sectors of the economy, established the standards for democratic political behavior in Tunisia today.

"Orderly liberalization"

Social, financial and economic reforms have followed, with special priority given to education and the role of women in the development of the country. At the same time, care is taken to ensure that the social fabric of Tunisia is undisturbed. "Ours is a process of orderly

liberalization," says Mr. Ghannouchi. "Social progress will flow across all strata of society, with no one excluded."

Large middle class

Proof of success are the country's large middle class (60 percent of the population), growing literacy rate (nearing 70 percent) and declining poverty level (6.2 percent).

All of these factors reinforce the country's social stability, one of its greatest attractions for citizens, investors and tourists alike.

C.F.

DOZENS OF WEB SITES INFORM, ENLIGHTEN AND ENTERTAIN THE SURFER

One convenient way to visit Tunisia is at your desk, by surfing the Internet. There are more than 40 Web sites that focus on Tunisia.

The BikeAbout site (www.bikeabout.org), for example, provides a view by four American cyclists who recently toured the country during their circumnavigation of the Mediterranean Sea.

Another site gives information on an archaeological dig at Bir El Djebana that a team from the University of Alberta is conducting. Other Web-surfing opportunities: ways to fly MIGs in the Sahara desert, UNESCO lists World Heritage locations in Tunisia, and the ins and outs of buying carpets imported from the country.

Water forum to water sports

Information ranges from general pages devoted to sports, education, travel and business, to specific sites, like one dealing with the Tunisia Water

Forum and another providing details about the National Solidarity Fund.

In English & en français

One of the most popular English-language sites for general information — with pages allocated to history, the environment, political life, women, the economy, culture and tourism — is Tunisia Online (www.tunisiaonline.com).

Another site, www.tourismtunisia.com, provides illustrated tourism and travel information. English-language economic investment information is available at www.investintunisia.com.

Detailed English- and French-language information about the country's medium-term economic aspirations is at www.tunisiaonline.com/development. Export statistics are at www.cepat.net.tn.

Some of the sites (www.tunisiainfo.com) promote requested news to subscribers, while daily

news reports can be found in English and French at www.tunisiaonline.com/news/news.html.

Among the Arabic on-line dailies is "Alhorma" at www.tunisiainfo.com/alhorma.

A major source of Internet traffic and entertainment among Tunisians living abroad are the audio (www.radiotunis.com) and video (www.tunisiaTV.com) versions of football games played in Tunis.

Surfing the sides

Surfers can book flights on Tunis Air (www.tunisair.com.tn).

On arrival into terrestrial Tunisia, it is easy to contact one of the domestic Internet providers, including Agence Tunisienne de l'Internet (www.ati.tn), Global Net (www.gnet.tn) or Planet Tunisie (www.planet.tn).

J.S.M.

DAVE BARRY

Bleach Preparedness

MIAMI — No doubt you've been waiting to hear about my harrowing experiences during Hurricane Georges. The worst moment came when my body was being tossed around violently, attacked by savage, uncontrollable forces of terrifying power. This happened in the supermarket two days before Georges arrived.

Going to the supermarket is a tradition for us hurricane veterans in the Miami area. When we hear that a hurricane is coming, we calmly and efficiently implement our Hurricane Preparation Plan, which is: (1) panic; and (2) buy random stuff.

One thing we always buy is bleach. Even if we already have — and many of us do — 25 bottles of bleach at home, we buy more. We have no idea why; we never actually use it. Maybe we secretly believe that the hurricane is afraid of bleach. Or maybe Clorox hires actors to go to supermarkets, posing as hurricane veterans and loudly remarking, "After Hurricane Andrew, the thing that saved our lives was bleach!" Whatever the cause, there's always a desperate, shoving mob in the bleach aisle, and if you're lucky enough to actually get a bottle, you must guard your shopping cart with firearms (which, in Miami, are sold in the firearms aisle).

Once you have your bleach, you race frantically around the supermarket buying a massive supply of Emergency Hurricane Food, defined as "food that you will never actually consume, even if the alternative is to eat your sofa." You find yourself fighting with people for the last dust-covered can of Del Monte Lima Beans With Prune Parts in Hearty Clam Broth.

The supermarket frenzy is one of the most dangerous times in any hurricane. I was almost struck by an elderly woman pushing a shopping cart containing bleach and at least 7,000 pounds of cat food at a sustained velocity of 28 miles an hour (the National Weather Service defines this as a "Category 4 Shopper").

Finally I made it home, where I implemented the next phase of the Hurricane Preparation Plan: watching the TV weather experts demonstrate, using meteorological science and state-of-the-art satellite and computer technology, that they have no idea what is going on.

The irony was, I knew exactly where the hurricane was going. It had nothing to do with so-called meteorology: It had to do with my hurricane shutters. Hurricane shutters are metal panels that many residents of hurricane zones keep in their garages under a protective blanket of dead spiders. These panels are scientifically engineered such that, if you fasten them correctly to all your windows, you will have long bleeding gashes on both hands. Also you will guarantee that the hurricane will not come. A hurricane can, using its eye, see whether you have your shutters up, and if you do, it will go somewhere else, emitting powerful gusting chuckles.

Ordinarily, I would have had my shutters up, but as it happens, this year I ordered new shutters (the edges of the old ones were getting dull). As Georges was forming, workmen (1) took away all my old shutters and (2) piled new shutters all around my house. This presented Georges with a rare opportunity: Not only could it destroy my house; it could destroy my house by whacking it to pieces with my new hurricane shutters. So Georges aimed straight for my house.

Fortunately, I happen to be a pretty handy "do-it-yourselfer," so rather than leave the new shutters lying on the ground, I was able, using my natural mechanical ability, to beg the workmen to put them up. So they did, and Georges immediately swerved away. (I sincerely apologize to the people it hit, but at that point, I was no longer steering.)

For the remainder of the hurricane, I watched the TV coverage, which consisted mainly of TV reporters in bright yellow rain slickers going into evacuation zones and asking the residents, in highly judgmental tones, why they did not evacuate. Just once, I wanted to hear a resident answer: "Hey, I'm here because I LIVE here. What's YOUR excuse, Hair-spray Boy?"

Anyway, I'm glad hurricane season is almost over. And I decided that I'm not going to wait until the "last minute" to get ready for the next season. That's right: I have already bleached my shutters.

All kidding aside, if you want to help the many people who are still suffering because of Georges, you can send a contribution to the Disaster Relief Fund, the American National Red Cross, P.O. Box 37243, Washington, 20013.

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Hollywood Enrages Arab-Americans, Again

By Sharon Waxman
Washington Post Service

LOS ANGELES — To understand the objections of Arab-Americans and Muslims to 20th Century Fox's new movie "The Siege," picture the following scenario:

A nefarious rabbi exhorts his extremist, ultra-Orthodox followers to plant bombs against Arab sympathizers in America. Many people are killed and maimed. The police round up Orthodox Jews and put them in camps.

Or this: A Catholic priest has molested an altar boy. The church refuses to hand him and other offenders over to police. The Federal Bureau of Investigation rounds up clerics to ferret them out.

These provocative story lines — not entirely implausible — would certainly spark an outcry from Jewish and Catholic interest groups. The question is: Would Hollywood portray them in the first place?

"The Siege," a thriller about Muslim terrorists in New York, feeds into American stereotypes about Arabs and Muslims that have long been reinforced by Hollywood.

But ironically, "The Siege" has the opposite intention. The film invokes the terrorist image to debunk it. It takes pains to portray a sympathetic, patriotic Arab-American, played by the Lebanese American Tony Shalhoub, and explores what happens to innocent bystanders (an Arab-American is tortured to death) when the military tramples over civil rights in the name of security.

But American Arabs and Muslims are not convinced. "This movie participates fully in the linking of Arab culture and Islamic religious practices and terrorism. That's nothing new," said Hussein Ibish, media director of the American-Arab Anti-Discrimination Committee. "But this movie is different. This movie purports to be a socially responsible, serious intervention, about how American society responds to a threat. Its rampant use of discriminatory stereotypes is very dangerous for our community."

The problem for Ibish and other groups, such as the Council on American Islamic Relations — which will be protesting outside theaters in Chicago, Los Angeles and Washington this weekend when the movie opens there — is the clash between the movie's stated message and its subliminal images. "The characters say one thing but the cinematic language conveys an entirely different message in its imagery, its music, the camera angles," Ibish said. "And in the movie theater the language of cinema trumps everything else."

As examples, he pointed to ominous music that accompanies a shot pulling back from a mosque, or the repeated image of two hands dipped into a pool of water — the ablution before prayer — as a signal for imminent violence.

"The movie criticizes the institutional measures the government takes against innocent people, but it doesn't criticize the misunderstanding of the faith that the movie reinforces," said Nihad Awad, the executive director of the Islamic council who consulted with the movie's director, Ed Zwick, during its production. "It's as if it says, 'These are criminals, these filthy Arabs and Muslims, but still we should not shed the Constitution. We are higher than that.'"

The Anti-Discrimination Committee has written an open letter to Zwick holding him "responsible for any acts of hate directed against our community as a result of this extremely damaging and dangerous film."

Ibrahim Hooper, spokesman for the Council on American Islamic Relations, emphasized that the Arab-American groups were not urging a boycott. "We're not going to play into the stereotype of Arabs as emotional and reactionary. We want people to go in sensitized to the issue of stereotyping and bias."

Zwick, the movie's producer, Lynda Obst, and its screenwriter, Lawrence Wright, expressed frustra-



Students passing out leaflets to protest "The Siege" outside a preview presentation of the film in Washington.

tion with this reaction, saying that the advocacy groups missed the point. "If their premise is that any depiction of the life of a Muslim that includes a depiction of violence, no matter how well documented, is offensive, then they cannot but be upset with the film," Zwick said. "I believe that is their premise."

He said that he took the image of the hand-washing before a bombing from a "60 Minutes" report on fundamentalist terrorism. "It's not exactly like I invented that," he said. Wright, who lived in Egypt for two years and has written about the Middle East, said: "I think they see it with different eyes than I do. In many respects they may be over-sensitive and anxious about movies because of their past treatment in Hollywood. But it seems paradoxical to me that they would center on a movie that has their concern so much at its heart."

In some ways the protest over "The Siege," despite the film's

noble intentions, shows how very vulnerable the Muslim community feels as a minority caught in the shadow of real-life Islamic terrorism. The Islamic council and the American-Arab Anti-Discrimination Committee spend most of their time documenting incidents of discrimination and fighting harassment of Arabs and Muslims by airlines and other companies. They have made, they say, some progress in sensitizing American society to their concerns, but not in Hollywood.

Awad of the Islamic council said: "I don't want to believe that there is a political agenda there, although many people see it that way. But there is a serious level of ignorance about Islam in Hollywood."

Ibish complains that a ceremony in the film featuring the adolescent son of Shalhoub's character does not exist in Islam, and Awad objected to Shalhoub's drinking of alcohol (forbidden to traditional Muslims) and his exclamation of

"Jesus Christ!" when something remarkable happens. Zwick removed the exclamation, and took Awad's suggestion to delete a tense exchange between Denzel Washington's character, the FBI chief, and an Arab taxi driver who refuses to pick him up. But he declined to change the plot of the movie (they were already halfway through the shoot), to make the terrorists turn out to be American millionaires.

One can hardly blame Awad for trying. For years, Arabs and Muslims have served as stock terrorist villains in films, from movie-of-the-week hijack dramas to reality-based films like "Not Without My Daughter" to the fantastic caricatures of "Raiders of the Lost Ark."

Since the 1970s many terrorist acts were perpetrated by Arab radicals, and in the past decade and a half terrorism has become a weapon used by fundamentalist Islamic extremists. The plot in "The Siege" mirrors the real story of fundamentalists who tried to blow up the World Trade Center.

"This is being repeated as though it's not legitimate to portray religious Islamic groups intent on bombing America," said Obst, the producer. "We read about it in the newspaper."

To people like Wright, concerned about political correctness, a screenwriter can't be too sensitive these days. "I was talking to Arab-American students the other day who were offended by the opening sequence," he says, referring to a scene in which a radical sheik is kidnapped. "There is a jump cut to Brooklyn of a guy in a mosque. They felt the message this is putting out is that this mosque is involved in that violence, which is not at all the intent. The point of that jump is to say the Arab world is not so far away. That we are becoming a Muslim country, that it's part of our world, too."

But Awad said: "We have been slapped on both cheeks for so long that if they kiss us on one cheek, should we thank them?"

PEOPLE

FRANCE'S literary prize season kicked off Friday with the Medice prize going to a former jockey for his novel about horses. The Femina prize went to a love story set in 20th-century China. In "Le Loup Mongol" (The Mongolian Wolf), the author Homeric, born Frederic Dion, takes readers on a search for horse thieves in 12th-century Mongolia. Dion is a former jockey and now writes for the newspaper Liberation about horse racing and equestrian events. The Medice prize for the year's best novel by a non-French writer, went to Jonathan Coe of Britain for "The House of Sleep." The Femina went to the Chinese-born Francois Cheng for "Le Dit de Tianyia," the tale of a love triangle set against Mao's Cultural Revolution and work camps. The Medice winners receive 4,500 francs (about \$800) each. The Femina carries no monetary prize.

The former home of the composer Aaron Copland in Cortlandt, New York, will be filled with music once again. The Copland Heritage Association announced that seven composers have won residencies in the six-room home, an hour's drive from New York. The home was in disrepair after Copland's death in 1990 and his estate planned to sell it, but the town began a campaign to save it as a cultural institution.

Jamaica's film board has banned the movie "Blade," starring Wesley Snipes, saying it is too graphic for island

theaters. "It is extremely violent, gory and bloody — the whole film is bad right through," said Reverend Stanford Webley, chairman of the Jamaica Cinematographic Authority. The movie is about a half-human, half-vampire with supernatural powers. It has already been released in the United States. In February, Jamaica's film board banned the opening scenes of Steven Spielberg's "Amistad," saying the movie's depiction of a revolt on a slave ship was too graphic.

Titanic fever swept a London auction house with two luncheon menus from the doomed liner selling for £19,550 (\$32,400). A letter about a poignant farewell sold for six times its estimate. An American collector, whose name was not revealed, paid the high price at Christie's for menus offering lunches of scotch broth, chicken and sago pudding, and Denis Cochrane, an avid Titanic collector who runs a maritime memorabilia shop in London, secured the letter for £9,775. The author, a woman named Marie, was writing to her brother after saying farewell to her husband, Tom, who was among 1,523 people who died when the luxury liner went down.

Dennis Franz, one of the stars of "NYPD Blue," suffered a slight injury while filming the police drama. "During a minor stunt scene, his elbow went through a window," his publicist, Cynthia Snyder, said in a statement. "We're happy to report he is just fine."



OPENING — Ian McKellen as James Whale in the film "Gods and Monsters," about the director who created "Frankenstein" and "The Bride of Frankenstein."

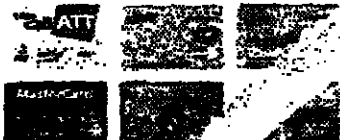


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